

CORPORATE REPORT 2019



Duskin Co., Ltd.

1-33 Toyotsu-cho, Suita-shi, Osaka 564-0051 JAPAN



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

The Core of Duskin

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
Seiichi Suzuki

Seiichi Suzuki was born in Hekinan City, Aichi Prefecture in 1911. He joined Ittoen 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. Seiichi 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, Seiichi 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.



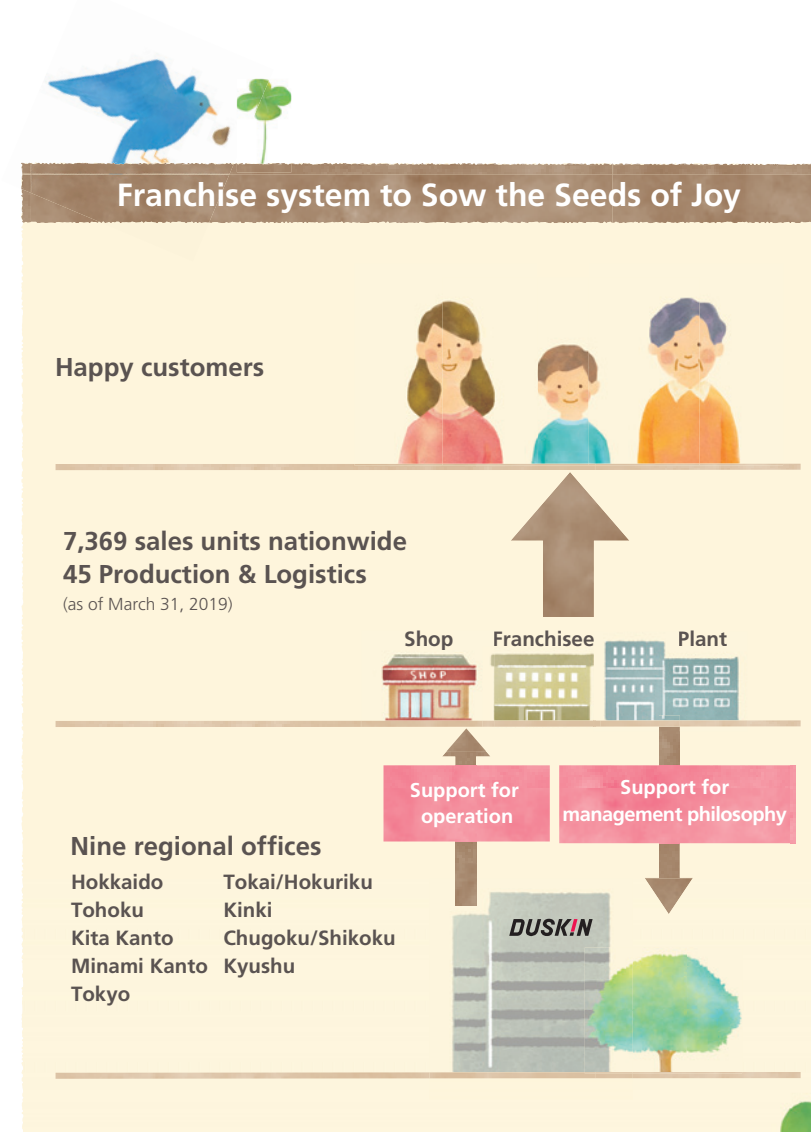
Franchise to fulfill the philosophy

Seiichi 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.



Sowing the Seeds of Joy in our everyday lives and communities



Duskin operates a variety of businesses that help make customers' home 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, 2019)
As some units operate multiple brands, the total number of units may differ from the actual number of units.

Direct Selling Group

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



Convenient home cleaning and helper services
Merry Maids 761 units



Cosmetics and health food
Health & Beauty 480 units



Quality home care for seniors
Duskin Life Care 95 units



Rental and sales of cleaning products
Dust Control 1,939 units



Maintaining plants and flowers
Total Green 124 units



Delivery of mineral water and coffee
Drink Service 681 units



Sanitary environments for medical institutions
Duskin Healthcare 218 units



Professional cleaning service
ServiceMaster 1,106 units



Fixing scratches and dents
Home Repair 59 units



Rental of special event and daily-use items
Rent-All 112 units

68 units offer the rental of daily-use goods.



Pest control and prevention services
Terminix 557 units



Rental, sales, and cleaning of uniforms
Uniform Service 218 units



Rental and sales of home healthcare items
Health Rent 150 units

Food Group

Providing happy moments for customers of all ages



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



Pie specialty stores from Australia
Pie Face 3 shops



Hamburger and donut shops
MOSDO 2 shops



Homemade donuts and a variety of menu items
Mister Donut 1,005 shops



Chiffon cake specialty shops
The Chiffon & Spoon 7 shops



Pork cutlet restaurants with quality ingredients
Katsu & Katsu 16 restaurants

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, 2018

**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
6,191 locations*

Shanghai, Taiwan, Thailand,
the Philippines, and Indonesia

As of December 31, 2018
*Includes shops operated under master franchise agreements.

**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.

As Mister Donut Shanghai closed all its shops at the end of March 2019, the photo is not shown with the other call outs above.

Big Apple **BIG APPLE DONUTS & COFFEE**

2 markets
90 locations

Malaysia and Cambodia
As of December 31, 2018

**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.

Table of Contents / Editorial Policy



Table of Contents

01 The Core of Duskin	ESG Activities
03 Our Brands	45 Directors and Audit & Supervisory Board Members
05 Overseas Development	47 Interview with an Outside Director
Strategic Value Creation	49 Corporate Governance
09 President's Message	55 Risk Management
17 Model of Value Creation	56 Compliance
19 Source of Value Creation	57 Environment and Society
21 History of Value Creation	Financial Information
23 CSV Activities and KPIs	61 Eleven-Year Highlights with Key Performance Indicators
25 Feature: CSV initiatives	63 Financial Overview
29 Financial and Non-Financial Highlights	67 Consolidated Financial Statements
Business Strategy by Segment	73 Glossary
33 Direct Selling Group	74 Third-Party Opinion
41 Food Group	75 Corporate Information
44 Other Businesses	76 Stock Information

Editorial Policy

Reference Guidelines

This report uses the International Integrated Reporting Framework by IIRC; Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation by Ministry of Economy, Trade and Industry; and the GRI Standards by GRI.

Period Covered

The period covered for this report is from April 2018 through March 2019. However, reports of FY2017 and before, and some activities from FY2019, are also included.

Scope of Coverage

This report concerns Duskin Co., Ltd., its affiliated companies and franchised units (offices/shops/factories).

Terms

Used in this report are: **Duskin Corporate Group**—Duskin Co., Ltd. and its consolidated subsidiaries; **Duskin Group**—Duskin Corporate Group and Duskin's affiliated companies accounted for by equity methods; and **Duskin Family**—Duskin Group and its franchisees (including shops, offices and plants) that agree with Duskin's management philosophy.

Time of Issue

This report was published in August 2019; the next issue is scheduled for August 2020.

Forward-looking Statement

This report contains information on Duskin's ongoing business plans/policies, forecasts and strategies. The information is a future forecast at the time of its disclosure and contains potential risks and uncertainties. Readers are advised that actual results may differ significantly from the forecast as they are subject to a variety of factors including future economic conditions and Duskin's business environment.

Note

If the content of the report requires any revision, we will post revised data on our website at <https://www.duskin.co.jp/corp/> (Japanese version only).

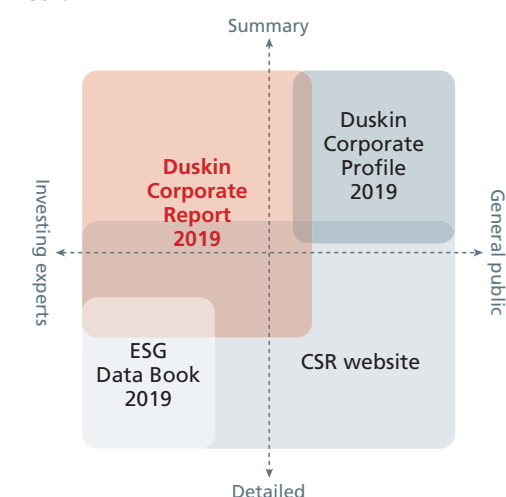
Format and Purpose of Report Media

Duskin Corporate Report 2019

This is a comprehensive report containing financial information such as Duskin's management strategies and business performance, and non-financial information such as an overview of Duskin's long-term value creation and ESG (Environment, Social, Governance) information. The primary readers are institutional investors.

ESG Data Book 2019 (Japanese version only)

This book provides detailed information such as Duskin's ESG policies for investors interested in Duskin's ESG information and data for CSR experts; it is available on the website in PDF format.



Duskin Corporate Profile 2019

This is a concise narrative describing business activities and CSR efforts. The primary readers are those seeking information about Duskin, such as job seekers, business operators interested in becoming Duskin franchisees and corporate customers.

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 the most complete disclosure for a wider range of stakeholders.

Teruji Yamamura
President & CEO

With the philosophy of Economy and Morals in Unity at the core, we create social value through our business and pursue sustainable growth.

FY2018 was the first year of Medium-Term Management Policy 2018 and the second phase of ONE DUSKIN long-term strategy. In the fiscal year, we steadily implemented a variety of initiatives following the basic policies of new growth, business model development and the strengthening of the corporate structure. In FY2019, the second year of the policy, we are committed to creating social value and achieving sustainable growth through our quality service that continues to meet changing social needs.

Our philosophy for business management and practice

What must be kept unchanged and what should be changed with these changing times?

Since my appointment as President, my personal mission has been to fully inherit and embrace our management philosophy and share it with future generations at Duskin.

I have asked myself why Founder Seiichi Suzuki established Duskin. I have come to realize that he wanted to Sow the Seeds of Joy for people and communities, so he put this philosophy into practice, into cleaning and donut businesses. Sowing the Seeds of Joy is the very essence of Duskin and is the driving force for Duskin Group. This is why I believe our management philosophy must be kept unchanged and shared with future generations.

It does not mean that we should maintain the status quo in our business operations, however. Customer needs are constantly changing in this dynamic environment, and, under these circumstances, my role is to understand these changes and chart the course of our business.

Our products, services and organization structure have also changed to respond to a diverse marketplace with aging populations, in an ever-connected world through increasing use of the internet. In FY2018, Clean & Care Group was renamed Direct Selling Group to reinforce closer cooperation across business lines under the singular unified concept of our Daily Life Fine-Tuning Service. This service helps customers keep their lives organized and fine-tunes the rhythm of their daily activities, both at home and in the workplace.

We will continue to uphold our management philosophy, respond to changing customer needs and deliver quality products and services to Sow the Seeds of Joy for people and communities.



Home Duskin, a chemically treated dust cloth, represents our Founder's strong desire and commitment to best serve society by addressing social issues and concerns with innovation. The idea of Creating Shared Value has been the cornerstone of Duskin's business activities since its founding.

CSV management

Economy and Morals in Unity at the heart of our business since its founding

Recent years have seen an increasing focus on the practice of Creating Shared Value (CSV), which is about creating social value and business value through economic activities. The idea of CSV is to achieve both a sustainable society and business growth. In Japan, ESG (environmental, social and governance) investment in 2018 increased to two trillion dollars, 4.6 times the amount it was in 2016. Governments, municipalities and companies are actively implementing initiatives toward achieving the United Nations' Sustainable Development Goals (SDGs), which are common goals and targets for nations and groups to achieve by 2030.

The practice of CSV matches our core principle, the philosophy of Economy and Morals in Unity, and serves as a guideline for driving our business forward. This is best illustrated with the example of our first product, Home Duskin^{*1}. Introduced by our Founder Seichi Suzuki, it was called the "magic dust cloth" because it could remove dust without water, reducing the burden of wet cleaning. Another example was the



^{*1} Home Duskin
Introduced in 1964, this chemically treated dust cloth was then called the "magic dust cloth."

The basis of our business management

Economy and Morals in Unity

"Morals or philosophical beliefs that reflect our hearts' most sincere desire to help and engage with society." "Economy" means the financial pursuits for business growth as a company. "Economy and Morals in Unity means that we make sustainable growth possible by serving society, proactively responding to its needs and expectations." This philosophy has been and will be the basis of Duskin Group's business management.

establishment of a new, innovative distribution channel for renting items through a franchise system so that many more customers could benefit from our products. Suzuki's passion to serve society by responding to their needs with innovation predated, yet is completely consistent with the current practice of CSV.

All our franchisees and our corporate employees embrace our management philosophy and form the Duskin franchise network with shared goals and visions for the future. This is the bond that unites us and distinguishes us from all others.

As a team of headquarters staff and franchisees, we are committed to CSV management, reflecting the voice of customers as we create new value.

Medium-Term Management Policy 2018

FY2018 results

During FY 2018, our first year of Medium-Term Management Policy 2018 and the second phase of ONE DUSKIN long-term strategy, we implemented key first year initiatives as planned, following the basic policies of new growth, business model development and the strengthening of the corporate structure. Our achievements include improving our structure and organization to grow our businesses and building a strong management foundation for sustainable growth.

Our consolidated operating profit increased to 7,954 million yen, up 5.2% from the previous year, and profit attributable to owners of parent also increased to 5,984 million yen, a 12.4% increase from one year earlier, although consolidated sales were 158,699 million yen, down 1.4% from the previous year.

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 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 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. To commit to an all-out, system-wide effort to provide the best services for our customers.
--	--	---

***2 Care Service Businesses**
Providing house cleaning and other cleaning and technical services

***3 Health Rent Business**
Rental and sales of home healthcare items

1. New growth

Establishing a capital and business alliance with NAC Co., Ltd., a franchisee of Duskin

As part of our future growth initiatives, Duskin underwrote a third-party allocation of new shares and entered into a capital and business alliance with NAC Co., Ltd., the largest franchisee of Direct Selling Group.

In alliance with NAC and other franchisees, we will continue to reinforce Care Service*2 and Health Rent*3 businesses by adding more of these locations where we are yet to have a presence, in order to prepare for their expected growth in the future.

2. Business model development

Driving franchise recruitment at Care Service Businesses

Dust control business, the core category of the Direct Selling Group, posted lower sales as sales struggled in the residential market. Sales of Care Service Businesses (professional cleaning and technical services) were higher than one year earlier because ServiceMaster (professional cleaning) and Merry Maids (home cleaning and helper services) performed well. With a rapidly aging population in Japan, there is a strong demand for these services. To improve our service capabilities to meet the demand, we actively recruited franchisees at franchise expos and other events and opened 134 new franchise units in FY2018.

Direct Selling Group will continue to expand our service offerings that make homes and workplaces more comfortable and clean, leveraging our strength to directly interact with customers and respond to their needs. With the 2020 Tokyo Olympics and Paralympics and the 2025 Osaka Expo in planning stages, there is a growing demand for sanitation management from restaurants and other establishments. Capitalizing on the opportunities to satisfy these new requirements, we will put more focus on the development of Hygiene Masters, sanitation management specialists who provide comprehensive solutions for commercial sites.

Positive results due to product development, and shop openings and renovations at Food Group

At Mister Donut, the core business within Food Group, we developed attractive menu items with a focus on MISDO Meets and MISDO GOHAN, as part of our efforts to create

a shop where customers of all ages can casually drop in throughout the day. Our key initiatives have started to have positive effects. Monthly sales per shop in operation were higher than one year earlier, although total Mister Donut sales were lower due to closure of underperforming locations and temporary closures for renovations.

The closures and renovations of underperforming or out-of-date shops were nearly completed by the end of March 2019. We will actively renovate other existing shops and accelerate new openings so that customers can continue to enjoy a welcoming ambience to experience pleasant times at Mister Donut.

3. Strengthening the corporate structure

Introducing the Operating Officer System to improve board effectiveness and ensure management transparency

To enhance corporate governance, Duskin introduced the Operating Officer System in April 2018. The system allowed board members to improve their abilities to make efficient and informed decisions and provide oversight functions, and empowers them to expedite business execution through the delegation of authority to Operating Officers.

We also reduced the number of Directors to enhance the effectiveness of the Board of Directors. As a result, the ratio of Outside Directors on all boards rose to one-third, which is, in turn, leading to greater management transparency.

Financial policy and profit return to shareholders

Setting a basic dividend policy to maintain stable payments with a consolidated payout ratio of 50%

One of our responsibilities is to make the best use of shareholder funds and to return a profit. Equally important in a franchise business is a fair profit distribution between franchisor and franchisees for mutual prosperity and benefit. Balancing these two responsibilities while pursuing capital efficiency is how we are creating long-term corporate value. We have set out our basic dividend policy of distributing the profit to shareholders based on our performance while maintaining the proper balance between investments to achieve sustainable growth and higher corporate value and financial security against potential risks.

In FY2018, we paid an interim dividend of 20 yen per share, a commemorative dividend of 10 yen per share (celebrating Duskin’s 55th anniversary), and a year-end dividend of 20 yen per share, for a total full-year dividend of 50 yen per share. In FY2019, we adopted a new policy to maintain the stability and consistency of dividend payments with a target consolidated payout ratio of 50% for each fiscal year.

To meet the expectations of shareholders over the long term, we continue to improve capital efficiency and shareholder returns. At the same time, we will execute a flexible capital policy that can accommodate changes in the business environment.

Merry Maids received the Minister of Health, Labour and Welfare Award on June 28, 2018.

Merry Maids (home cleaning and helper services) was awarded with the Minister of Health, Labour and Welfare Award, a second Nihon Service Award by Service Productivity and Innovation for Growth, Japan Productivity Center. The award is a program honoring companies from diverse industries for their outstanding services. Duskin was recognized because of excellent service quality consistency at Merry Maids offices across Japan, exemplary customer relationships, and for helping to reduce the burden of household tasks on its customers.



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

To achieve sustainable growth, we create an environment where our people on staff can focus on the human side of their businesses, understanding customers and improving service delivery.



Message for stakeholders
Building on our strengths to Sow the Seeds of Joy

Since spring 2019, we have been delivering a message, “We place great importance on the human touch in an AI-driven world.” in our corporate advertising. This phrase illustrates a core strength and continued focus.

Today, artificial intelligence (AI) and robotic process automation (RPA) are in use in every area of society. In this technology-driven world where interpersonal contact is diminishing, we are placing greater importance on the human touch. Along with this effort, however, we are also taking advantage of machine intelligence where operational efficiency and accuracy of routine tasks can be achieved by utilizing RPA and production automation. This enables us to create more opportunities for our employees to focus on the human side of businesses, understanding our customers and improving service delivery.

While reinforcing closer cooperation across business lines to meet the diversifying needs and expectations of customers, we are putting all our effort to build on our strengths—personal touch and gracious hospitality that are uniquely ours—to Sow the Seeds of Joy for people and society.

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

August 2019

山村輝治
Teruji Yamamura
President & CEO

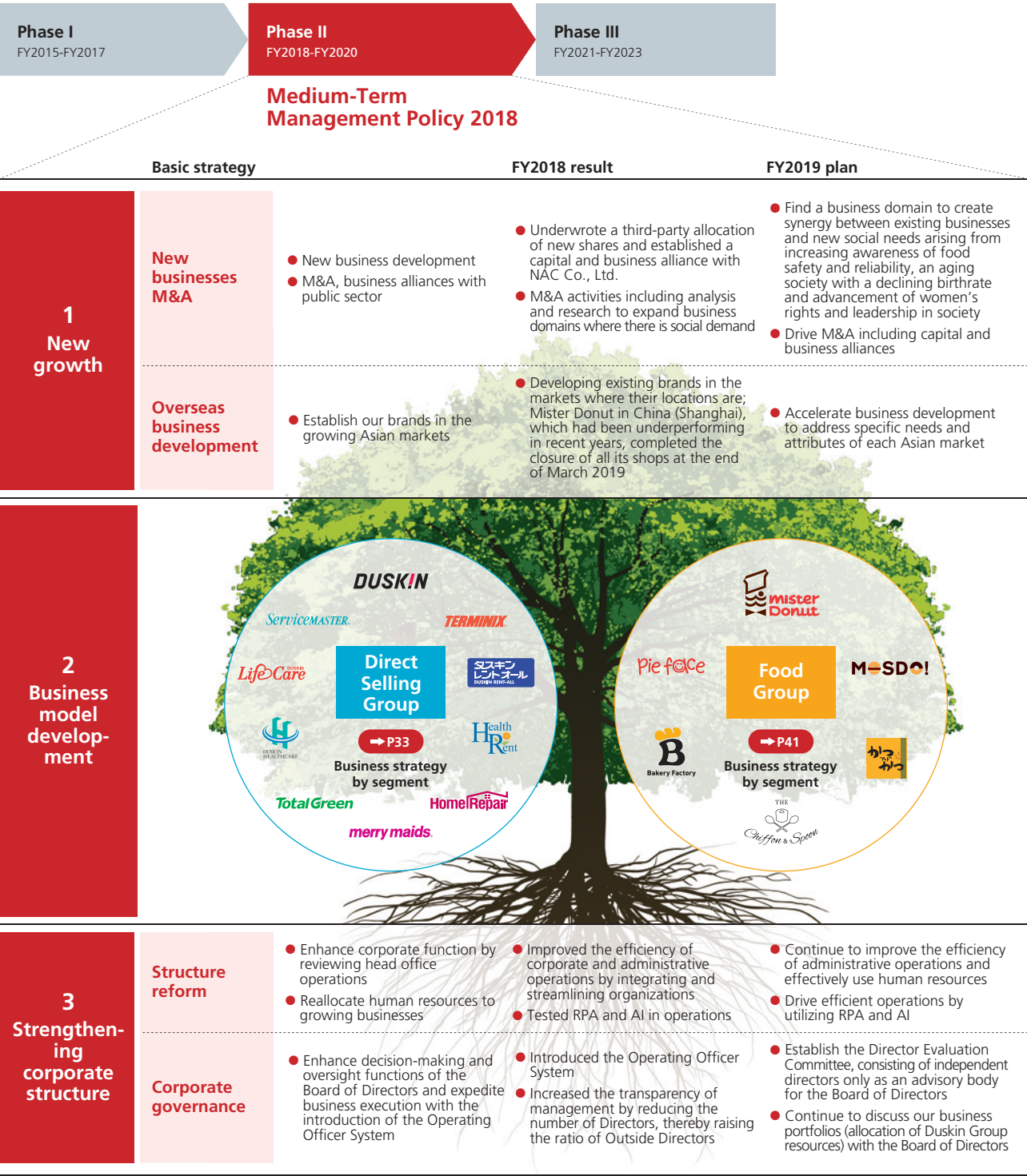


Corporate advertising in spring 2019

Medium-Term Management Policy

Medium-Term Management Policy 2018 is the second phase of the nine-year long-term strategy, ONE DUSKIN.

Long-term strategy ONE DUSKIN



With our long-term strategy, ONE DUSKIN, Duskin Group is united to create shared value.

Our society faces many complex issues, for example, those caused by an aging population and global warming. To tackle these issues, Duskin aims to create shared value (CSV) and achieve a society in which people can live fruitful and happy lives.

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

NUMBER ONE

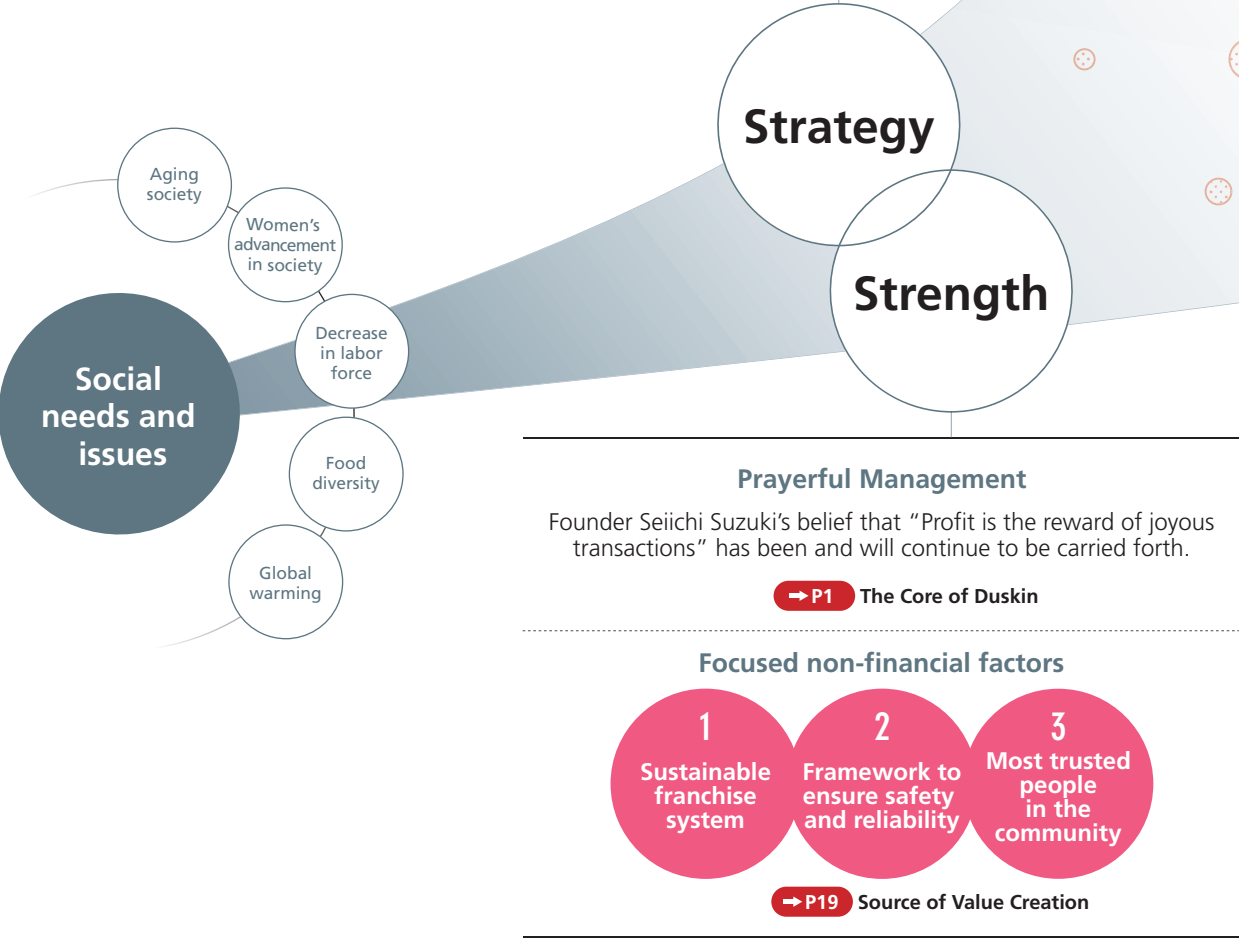
The most trusted franchise business in the community

ALL FOR ONE

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

We are implementing the **Medium-Term Management Policy 2018** as the second phase of our nine-year long-term strategy, ONE DUSKIN.

→ P9 President's Message



CSV	Focused areas	Social value	Contribution to SDGs
Sustainable Development of Society	Franchise network	<ul style="list-style-type: none">Ease the burden of household chores and home cleaningSupport seniors living at home and alleviate the burden of family caregivers	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</div>
	Supply chain	<ul style="list-style-type: none">Contribute to building a community comfortable to live inEnsure food safety and reliabilityDeliver products and services steadily	<div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>
Eco-Friendliness	Action on climate change	<ul style="list-style-type: none">Contribute to a recycling-oriented society by providing rental items that are continuously in useIncrease the recycling of food waste and reduce food waste	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div> <div>14 LIFE BELOW WATER</div>
	Recycling-oriented society	<ul style="list-style-type: none">Curb the use of disposable plastic that causes marine pollutionMitigate climate change by cutting greenhouse gas emissions	
Human Resource Development	Diversity and inclusion	<ul style="list-style-type: none">Increase diversity of the workplace by including more people of different backgrounds to create greater opportunities for allContribute to economic development by helping employees live fulfilling lives	<div>4 QUALITY EDUCATION</div> <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div>

Generate “profit that is the reward of joyous transactions” guided by three non-financial factors

1 2 3 Significant non-financial factors Sustainable franchise system

Duskin has a unique franchise network in which the head office and franchisees share the same interests and are united by the same management philosophy. The head office and franchisees also share the goal of achieving a society where customers can lead a happy and peaceful life. This has been and will be Duskin's greatest strength.

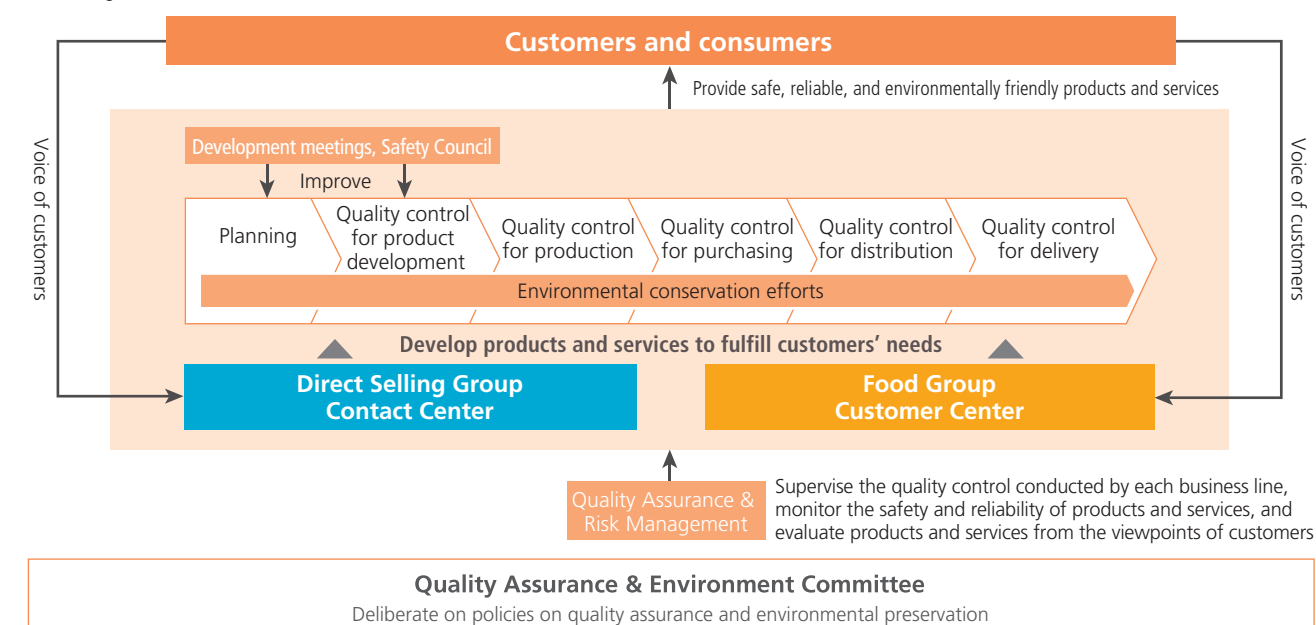


1 2 3 Significant non-financial factors Framework to ensure safety and reliability

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 Quality Assurance & Risk Management team has two important functions: to supervise the quality control conducted by each business line and monitor the safety and reliability of products and services; and to conduct inspections on products and services and evaluate them from the viewpoint of customers. The team also organizes the Quality Assurance & Environment Committee, consisting of Outside Directors and managers of major divisions. They hold the Committee meetings twice a year to deliberate the guidelines of quality control and assurance and the environment.

During the development phase, prior to launch, the safety and reliability of products and services are objectively reviewed at the development meetings. For the development of food products and services and their specification changes, internal rules require that we ensure their 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.

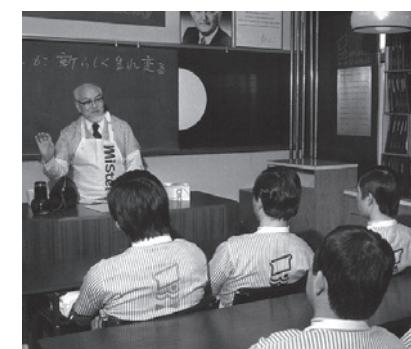
Quality assurance framework



1 2 3 Significant non-financial factors Most trusted people who know the community

Duskin supports each franchisee in developing their own staff experience and expertise. Most of the franchise owners and staff members were born and raised in the communities where they run their businesses now: They fully understand the specific needs and attributes of each local market. These franchise owners and staff members have proven abilities to provide quality services and have been striving to be the best service provider in their community.

Major training facilities



Duskin's founder Seiichi Suzuki established Mister Donut Japan Training Center (now called Mister Donut College), and was one of the first trainers to teach at the center.



Duskin School, founded in 2010, is a comprehensive training place where trainees can learn subjects ranging from management philosophy to operational know-how.



In the training room of Duskin School, trainees can learn techniques and skills in practical programs using mock-up facilities including home and commercial kitchens and bathrooms.

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

In 1963, Seiichi Suzuki founded Duskin to Sow the Seeds of Joy for people and communities. Duskin has continued to provide products and services that respond to the needs of the time and social demands. Duskin's journey represents our continued practice of Sowing the Seeds of Joy.



1970

Mister Donut business launched

The business started as the first food franchise chain in Japan with the goal of providing people with joyful occasions for eating delicious donuts.



1971-1989

Business diversification starts.

Starting with ServiceMaster professional cleaning service in 1971, Duskin launched businesses to help people enjoy clean and comfortable environments by including services such as Terminix pest control service in 1977 and Merry Maids home cleaning and helper services in 1989.



1964

Debut of the innovative Home Duskin product

Home Duskin, a chemically treated dust cloth, started a new way of dusting without water. It was called the magic dust cloth and achieved tremendous popularity. It brought cleaning innovation to homes in Japan.



Social trends and needs

1960s Increased awareness of sanitation	1970s Westernization of the Japanese diet	1980s Shift to service economy		1990s Rapid economic growth in Asian countries	2000s Shift to aging society	2010s Increase of working couples
---	---	--------------------------------	--	--	------------------------------	-----------------------------------

Business	1969 ● The business diversified into rental of cabinet towels and industrial wipe cloths.	1971 ● ServiceMaster professional cleaning service initiated. 1977 ● Terminix pest control service and Rent-All, a total rental shop, launched.	1982 ● Healthcare business, management service of medical facilities, starts (now part of Duskin Healthcare). 1988 ● Food Group exceeds 500 stores. 1989 ● Merry Maids home cleaning and helper services launched.	1997 ● Food Group exceeds 1,000 stores. 1999 ● TruGreen business starts (rebranded as Total Green plant and flower maintenance service). ● Katsu & Katsu, a pork cutlet restaurant, opened.	2000 ● Home Instead Senior Care business starts (rebranded as Duskin Life Care). 2004 ● Health Rent business starts. ● Mister Donut enters Taiwan. 2006 ● Dust Control business launched in China.	2014 ● The Chiffon & Spoon, a chiffon cake specialty shop starts. 2015 ● Pie Face, a pie specialty store launched. ● Mister Donut expands to Indonesia. 2016 ● Home Repair business (fixing scratches and dents) starts. 2017 ● Big Apple Worldwide Holdings Sdn. Bhd., based in Malaysia, acquired as a subsidiary.
	① Sustainable franchise system 1964 ● Recruitment of the first group of franchisees starts. 1969 ● Granted full membership in International Franchise Association (IFA), the first time for a Japanese company.		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.	1993 ● New franchise system Duskin Serve 100 commences.	2007 ● Duskin Achievement Award established to commend franchise owners for their local contributions as members of the Duskin family.	2015 ● Long-term strategy ONE DUSKIN announced. 2018 ● Creates new franchise packages for four cleaning and technical services.
	② Framework to ensure safety and reliability 1969 ● Granted full membership in International Franchise Association (IFA), the first time for a Japanese company.	1979 ● Product Development Committee organizes the first product exhibition.	1981 ● Offers the first phone consultation on year-end cleaning for a limited time.	1991 ● Duskin Call Center opens. 1999 ● Osaka Central Plant obtains ISO 14001 Certification.	2003 ● Quality Assurance Committee organized (now called CSR Committee). 2004 ● The first edition of Duskin Code of Conduct, Duskin's compliance principles, completed.	2015 ● Awarded Best Contributors to Product Safety.
Focused non-financial factors	③ Most trusted people in the community 1965 ● Five-day work week system begins. 1968 ● Clover Society, employee association for all Duskin employees, established.*1	1971 ● Mister Donut Japan Training Center completed. 1977 ● Prayerful Management College starts as an in-house learning system.		1997 ● Learning Center of the Care Service Businesses established.	2008 ● Flexible start work program introduced to enable employees to choose their work start time.	2010 ● Duskin School, comprehensive training center for all Duskin brands, completed. 2016 ● Approved as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services.

● Direct Selling Group ● Food Group ● Other Businesses ● Focused non-financial factors

*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.

Services for seniors start.

Leveraging the strength of home visiting and onsite services, Duskin started the Home Instead (rebranded as Duskin Life Care) business to help seniors live comfortably in their own homes. In 2004, the Health Rent business, which rents and sells assisted-living and healthcare products, was launched.



1994

Dust Control business first enters an overseas market.

Overseas businesses began in Taiwan, and then entered China (Shanghai) enjoying a high economic growth in 2006, and South Korea in 2012. As of March 2019, our circle of cleanliness expanded to 25 locations in three markets.



2014-

New style of cleaning enables simple and easy cleaning.

Cleaning Basic Three was released in 2014, and Robot Cleaner SiRo in 2016. These products are intended for busy customers to help them do home cleaning effectively.



















おそうじ3
ベーシック
シリーズ



ロボットクリーナー
SiRo



	Focused CSV areas	Policy	Activities	KPIs	FY2018 results	Goals to achieve by FY2020	Social value and contribution to SDGs
 <p>Sustainable Development of Society</p>	Franchise network	Provide solutions to contribute to sustainable development of local communities while meeting diversifying needs in an aging society along with changes in work and life styles	Expansion in the Care Service Businesses (franchise recruitment)	Franchised units	ServiceMaster 1,106 units Terminix 557 units Merry Maids 761 units Total Green 124 units Home Repair 59 units Total 2,607 units	3,131 units in total	Ease the burden of household chores and home cleaning 
			Expansion in the senior care service business (franchise recruitment)	Franchised units	Health Rent 150 units Life Care 95 units Total 245 units	362 units in total	Support seniors living at home and alleviate the burden of family caregivers 
			Prevention of secondhand smoke	Shops with all seats non-smoking or with an isolated smoking booth	907 shops	All Mister Donut shops	
			Manufacturing and renting custom-made mats to prevent special frauds	Prefectures where the mats are placed	40 prefectures (Approx. 13,000 mats)	All 47 prefectures	Contribute to building a community comfortable to live in 
			Support for school education on cleaning through Sow the Seeds of Cleanliness Classroom on-site lessons	Participating schools	716 schools	600 or more schools a year	
	Supply chain	Ensure safety and reliability and increase sustainability in a disaster or an accident	Making a list of plants to inspect and reinforcing the management framework for product safety and quality assurance	Ratio of periodic inspections at contracted food processing plants	100% (30 plants planned/30 plants performed)	100%	Ensure food safety and reliability 
			Supply chain continuity plans to deliver fast recovery in emergencies including natural disasters (purchasing from multiple suppliers, substitution with similar or alternative products)	Products for which continuity plans were created	At Direct Selling Group, continuity plans were created for 49 items out of the top-selling 60 products and are under development for 11 items.	The progress for the 11 items is tracked by conducting periodic risk assessment until the plans are completed.	Maintain steady delivery of products and services 
 <p>Eco-Friendliness</p>	Building a recycling-oriented society	Build Duskin's recycling-oriented model 4R (reduce, reuse, recycle and repair*) to optimize resource use * Duskin defines "Repair" as long-term use through repeated repair of an item.	Maintaining the ratio of reused mops and mats	Ratio of reused mops and mats	97% (920,000 reused out of 950,000 collected items)	Maintain 97% or higher	Contribute to a recycling-oriented society by providing rental items that are continuously in use 
			Food waste reduction and recycling (into animal feed and biogas)	Ratio of food waste recycling	42.6%	50% or higher	Increase the recycling of food waste and reduce food waste 
			Addressing issues to eliminate disposable plastic straws	—	Started to develop a reduction plan	Eliminate disposable plastic straws by the end of FY2020	Curb the use of disposable plastic that causes marine pollution 
	Action on climate change	Optimize traveling, transportation and energy use in the whole value chain	Reduction of CO2 emissions, one of the causes of global warming	CO2 emissions	20.7% reduction from FY2013	(By FY2030) 26% or more reduction from FY2013 level	Mitigate climate change by cutting greenhouse gas emissions  
			Replacement of sales vehicles with eco-friendly low-emission vehicles with a start-stop feature	Introduced low-emission vehicles	1,542 vehicles	4,233 vehicles	
			Effective use of energy resources and cost reduction	Energy consumption (energy intensity)	2.2% reduction from the previous year	Maintain 1% or more reduction from the previous year	
 <p>Human Resource Development</p>	Diversity and inclusion	Create new value and excellence by effectively responding to the changing business environment and diversifying consumer needs	Retaining diverse staff and providing greater opportunities for all	Ratio of female employees in managerial positions (non-consolidated)	7.2% (27 female managers)	8% or higher	Develop a diverse staff and create greater opportunities for all  
				Ratio of employees with disabilities	2.7%	3% or higher (legally required employment rate: 2.2%)	
			Expansion of the Project to Accept Foreigners Conducting Housekeeping Services	Annual training hours per employee	10.6 hours/employee	Maintain the level of 12.5 hours/employee	
				Non-Japanese staff members	28 members	50 members	
			Improvement in productivity and health-focused management	Annual hours worked per employee	1,833 hours	1,850 hours or less (prescribed working hours + 7.5 overtime hours, and ratio of paid leave taken: 60%)	Contribute to economic development by helping employees live healthy, more fulfilling lives 
				Ratio of employees who participated in annual health checkups	100%	100%	

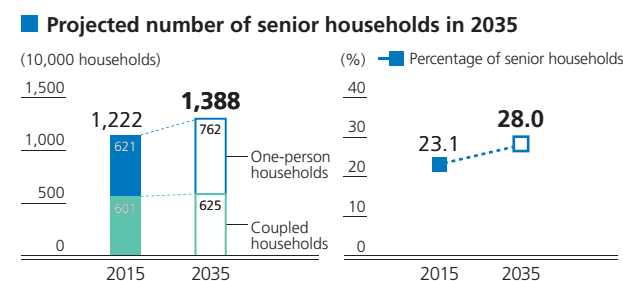


Offering peace of mind to working women and responding to the needs of an aging society

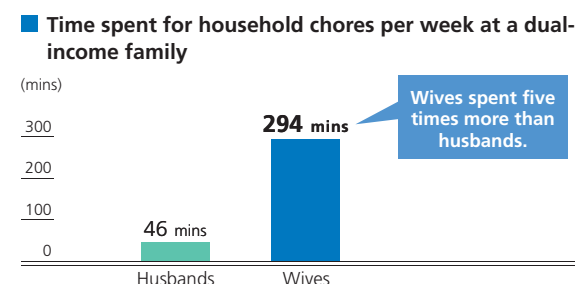
Merry Maids provides comfort in everyday life with its home cleaning and helper services

Duskin, a pioneer in cleaning and helper service industry, launched Merry Maids business in 1989. By helping our customers with cleaning and daily household chores, we want them to enjoy more time to relax. With the concept “you should have time to live your life the way you want to, without the burden of worrying about a clean house,” we deliver Merry Maids services through our franchise network.

With the increasing number of working women, many feel overwhelmed trying to balance the responsibilities of work and home. At the same time the number of senior households is also increasing. As they age, many seniors find their household chores more physically challenging than before. With this social change in mind, we have been providing our services tailored to the needs of our customers, offering such services as Home Cleaning Service, Housekeeping/Helper Service and Storage Organizing Service. In 2018, customer-level sales exceeded 11 billion yen.

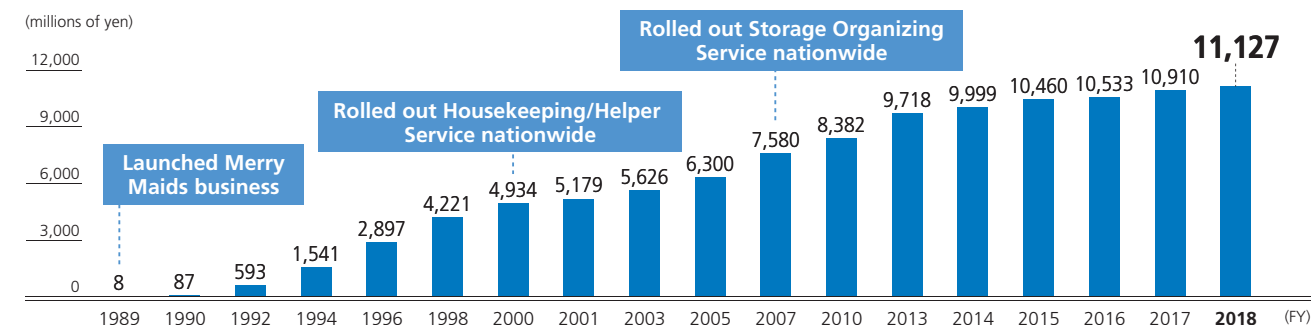


Source: Future estimated elderly population by the Ministry of Health, Labour and Welfare



Source: White Paper on Gender Equality 2016 by the Cabinet Office

Merry Maids business customer-level sales



Customer trust earned through highly-skilled staff, know-how and comprehensive safety management

Our Merry Maids business is known for its continuous improvements in the consistency of service quality, which is accomplished through training and staff development. Our staff development with its systematic and standardized training programs, enables our staff members to deliver the same high-quality service across 761 locations*¹ in 47 prefectures. At each location, training support is also provided to staff members to help them continue to improve their skills and service quality. These efforts and service quality levels have been recognized with the recent national award, the Minister of Health, Labour and Welfare Award of the Second Nihon Service Award*².

We focus on the security of our customers, their homes and possessions. Paying extra care to our customers' peace of mind, we have introduced new procedures such as staff uniforms with no pockets, and detailed manuals for handling customers' house keys. Through these efforts, we have our operation system in place that earns our customers' trust.

*¹ As of March 31, 2019

*² Sponsored by The Service Productivity & Innovation for Growth, Japan Productivity Center

Creating an environment for women and non-Japanese nationals to work with peace of mind

Merry Maids is known for its services to help women balance housework, child rearing and work conforming to their life styles. With this privileged understanding of our customers, we include women and their expertise as homemakers and parents for career opportunities in our businesses. These efforts are helping to provide more opportunities and jobs for women.

Duskin, as a specified business organization, hired 28*³ workers from the Philippines for the projects to accept non-Japanese nationals in National Strategic Special Zones of Tokyo, Kanagawa and Osaka. Based on this experience at our company-owned locations, we plan to expand this program and support our franchisees to obtain approval as a specified organization to hire non-Japanese nationals for their future operations.

We continue to develop this business model for the benefit of our customers, employees and the Duskin Family.

*³ As of March 31, 2019

Number of women staff members: 7,901

Women staff ratio: 95% (as of March 31, 2019)



Feature: CSV Initiatives

Haruna Nomura
Duskin Home Service
Shimanouchi Branch*

Kenichiro Taguchi
Operations,
Direct Selling Group*

Certified low-emission gas vehicles introduced at franchisees and company-owned locations:
1,542

Hybrid or electric vehicles introduced at head office:
291
(as of March 31, 2019)

Contribution to SDGs
7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

* Positions at the time of the photo taken.
Direct Selling Group is introducing safe, eco-friendly and driver-friendly vehicles that best respond to the frontline staff needs.



Initiatives to mitigate global warming by reducing CO₂ emission

Introducing safe and eco-friendly cars

The use of vehicles, notably for light cargo, is essential to deliver our products and services in our business operations. As new functions such as brake control for collision avoidance assist (autonomous braking) and idling reduction were introduced into commercial fleet vehicles about two years ago, Duskin is now encouraging our franchisees to include these same functions into their highly safe, low-emission vehicles. By the end of March 2019, among the 10,386 lease vehicles used by our franchisees, 1,542 vehicles were changed to certified low-emission vehicles.

At our head office, we are increasing the number of hybrid vehicles and other types of eco-friendly vehicles. By the end of March 2019, 98.6% of vehicles used at our head office had been changed to hybrid or electric vehicles that conform to the latest gas emission standard.

Eco-driving programs and education

CO₂ emission can be reduced if all drivers pay special attention to eco-driving, including idle reduction, avoiding sudden starts and stops and preventing excess speed. As part of our production and logistics improvement efforts, a vehicle operation management system, logiccompass, is installed into all vehicles that are used to collect used mops and mats and to deliver cleaned products. Using records kept by this system, drivers are recognized annually for their eco-driving.

We continue our efforts to reduce CO₂ emissions by improving efficiency of transport in our delivery routes as well as through our regional training and education programs.

More women in managerial positions

Duskin has set a goal to increase the percentage of women in managerial positions to 8% by the end of FY2020, and is therefore encouraging women's participation in operational decision-making processes and managerial positions. As of March 31, 2019, women make up 7.2% of our managerial positions, a 0.8 point increase from the previous year.

These results have led to a recognition from external organizations, such as an award our employees received for two consecutive years since 2017, the Osaka Sakuyahime Award, recognizing women leaders by the Osaka Chamber of Commerce and Industry.

The 2017 award recipient, Chisa Kajihara, is leading our Merry Maids business as Division Manager. The 2018 award recipient, Reiko Fujiwara, is Manager of the Institute of Cleaning Education. Together with our franchisees, she is leading the teams to convey the importance of cleaning through school education support activities. Both of them were recognized for excelling in their business field, helping to develop the next generation of leaders and contributing to local communities.

Skill improvement and career advancement for people with disabilities

Duskin is undertaking proactive programs to create more opportunities for people with disabilities. At Duskin Product Nishi Kanto Co., Ltd., our group company, students from special needs schools receive hands-on training each year. Taking time to identify their aptitude, we provide one-on-one training and help them learn the job through practice and repetition of the required tasks. Many of them have become tenured workers. We assist their career advancement by helping them to take on responsibilities for different tasks through multi-skill development based on their capabilities and personality. Employees with disabilities are also entrusted with jobs that require commitments and responsibilities.

With these efforts recognized, Duskin Product Nishi Kanto received the Excellent Company for Employees with Disabilities award sponsored by the Tokyo Metropolitan Government in 2018.



Creating a more fulfilling workplace that recognizes the importance of diversity



Women in managerial positions:
27 (7.2%)
Percentage of employees with disabilities (consolidated):
2.7%
(as of March 31, 2019)

Chisa Kajihara
Manager,
Merry Maids Division

Reiko Fujiwara
Manager,
Institute of Cleaning Education

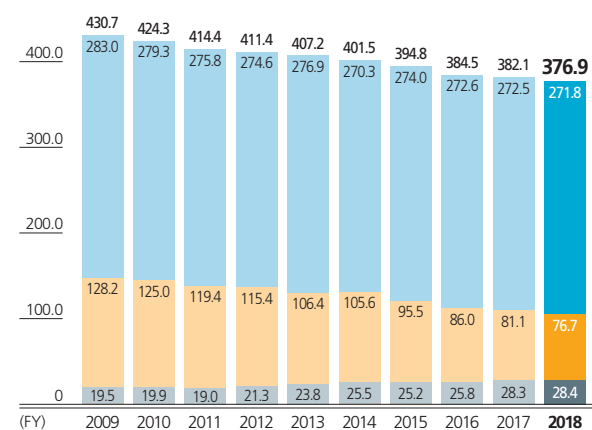


Financial Highlights

Note: Amounts less than the stated units are dropped.

Customer-level sales 376.9 billion yen

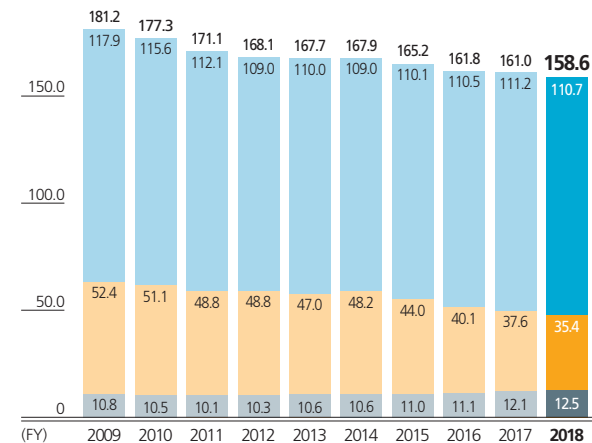
(billions of yen) Direct Selling Group Food Group Other Businesses



Customer-level sales are the total of sales at company-owned and subsidiary units and the estimated sales at franchised units. Sales of overseas affiliated companies which are included in Other Businesses are sales in January to December.

Consolidated sales 158.6 billion yen

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

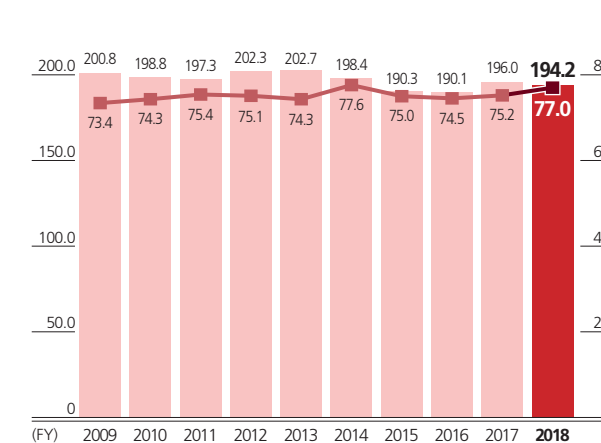


Due mainly to lower sales at Direct Selling Group and Food Group, consolidated sales were 158,699 million yen, a 2,332 million yen (1.4%) decrease from the previous year.

Note 1: Business segment sales do not include inter-segment sales.
Note 2: Reportable segments were changed on April 1, 2010. On April 1, 2018, Clean & Care Group was renamed Direct Selling Group.

Total assets 194.2 billion yen

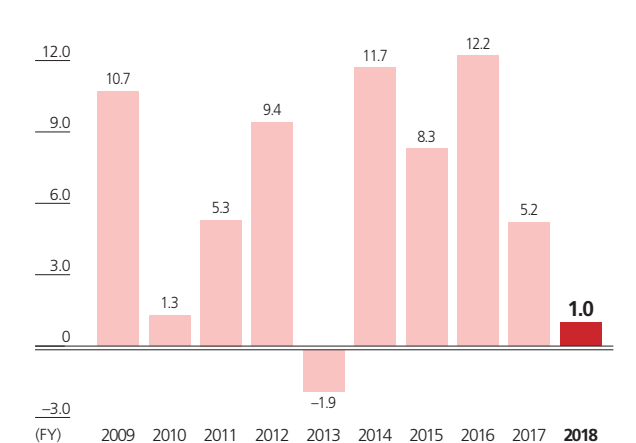
(billions of yen) Total assets Equity ratio (%)



Duskin has a certain volume of assets in order to fulfill responsibilities for franchisees and consistently provide services for customers. Net assets totaled 149,884 million yen at the end of the fiscal year, 2,098 million yen (1.4%) more than at the end of the previous fiscal year.

Free cash flow 1.0 billion yen

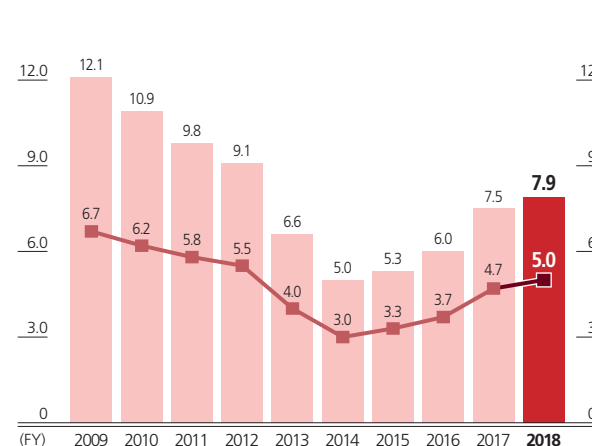
(billions of yen)



Free cash flow is the sum of cash flows from operating activities and investing activities. Fiscal 2018 free cash flows totaled 1,051 million yen, a 4,151 million yen (79.8%) decrease from the previous year due mainly to an increase in expenses for the purchase of shares of affiliates.

Operating profit 7.9 billion yen

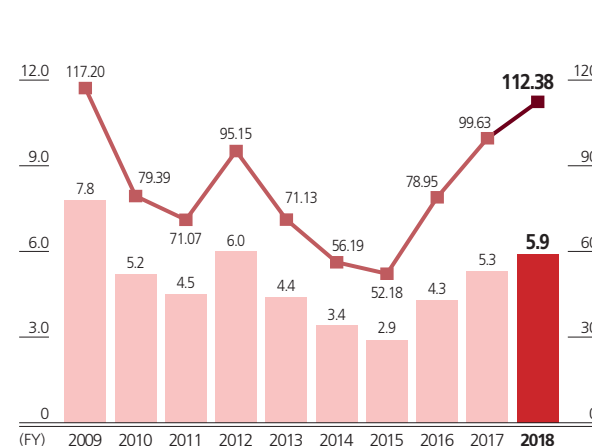
(billions of yen) Operating profit Operating margin (%)



Operating profit was affected by the decrease in sales and higher personnel expenses but benefited from a decrease in the cost of sales for rental products, lower promotional expenses and a decline in retirement benefit expenses associated with a change in the Duskin pension plan. As a result, operating profit was 7,954 million yen, a 396 million yen (5.2%) increase.

Profit attributable to owners of parent 5.9 billion yen

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

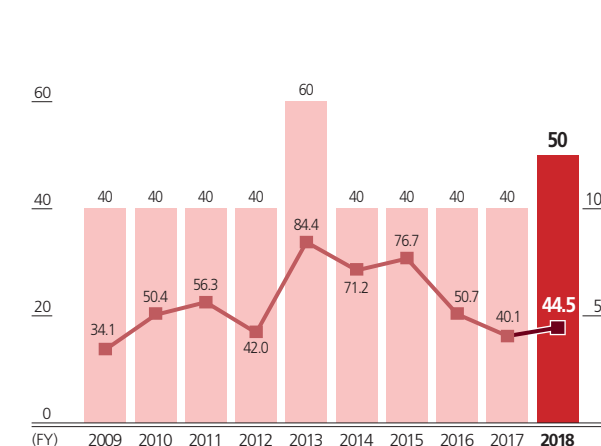


An expense was recorded to prepare for the liquidation of Mister Donut Shanghai Co., Ltd. in China and extraordinary losses increased partly because of a higher non-current asset impairment loss. Despite these items, profit attributable to owners of parent was 5,984 million yen, a 659 million yen (12.4%) increase.

Note: In FY2015, Duskin started using Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and net income is reported as profit attributable to owners of parent.

Dividends per share 50 yen

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

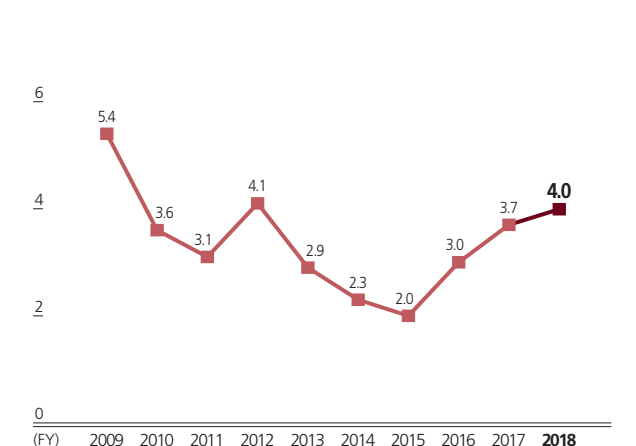


Our basic policy is to distribute profits to shareholders based on our performance while maintaining the proper balance between these distributions and the need to maintain financial soundness. A consolidated payout ratio of 50% is the guideline for the dividend for each fiscal year while maintaining the stability and consistency of dividend payments.

Note: The dividend for FY2013 includes a 20 yen 50th anniversary commemorative dividend, and the dividend for FY2018 includes a 10 yen 55th anniversary commemorative dividend.

Return on equity 4.0%

(%)

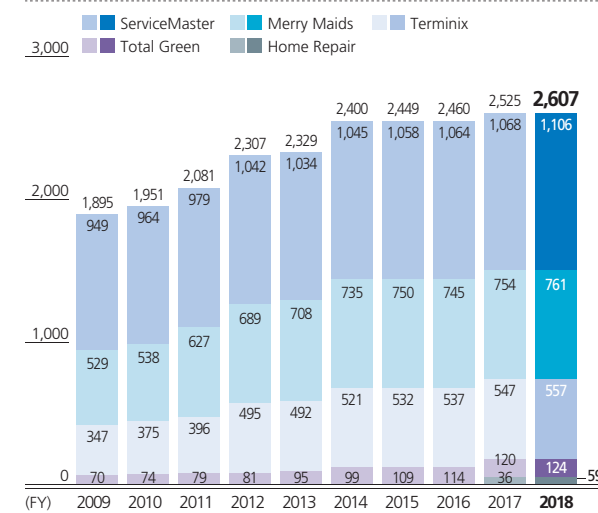


Duskin plans to increase the return on equity (ROE) by executing the strategies and capital policies in the Medium-Term Management Policy 2018. To improve capital efficiency and return earnings to shareholders, the Board of Directors approved a resolution to purchase up to 2,500,000 shares of treasury shares for 6.5 billion yen in February 2019.

Non-Financial Highlights

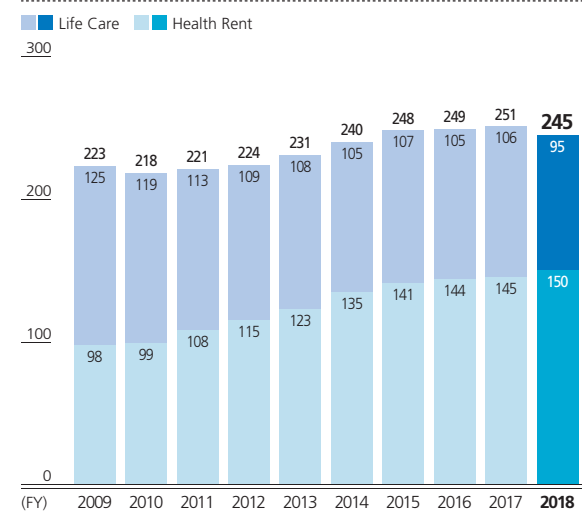
Sustainable Development of Society

Units of the Care Service Businesses 2,607



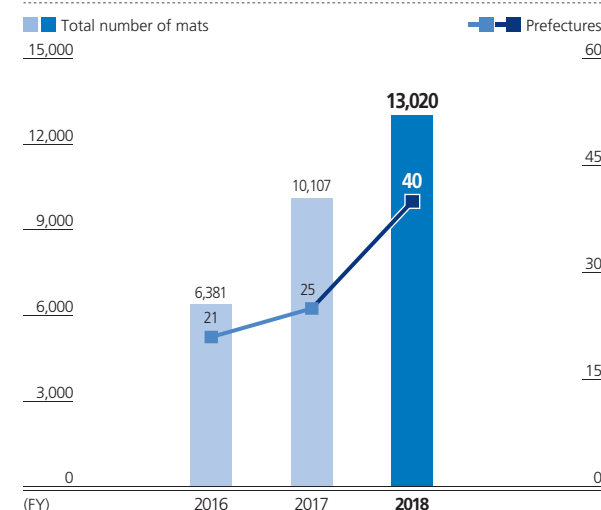
To meet the steadily growing need to outsource household chores and home cleaning, the Care Service Businesses have been building a strong infrastructure for serving customers. These business divisions except Home Repair are also increasing the number of franchisees by using a new franchise package that has a lower initial fee.

Units of the Senior Care Service Businesses 245



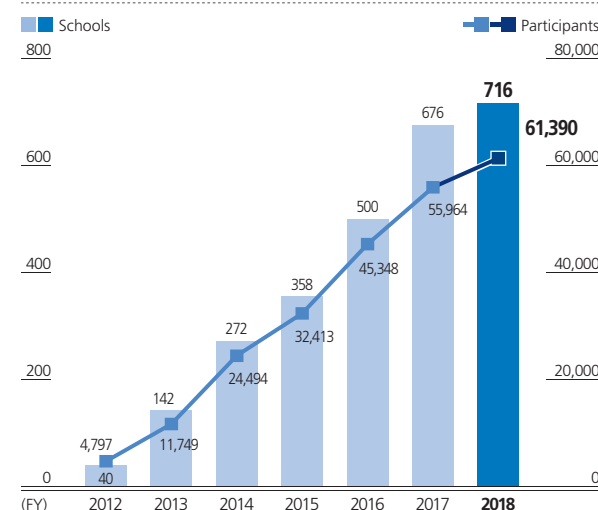
Life Care completed its rebranding in April 2018 and is accelerating the initiatives to recruit franchisees. Health Rent reported sales growth of 7.2% and increased the number of units even though the maximum rental price of healthcare items was regulated under the Long-Term Care Insurance System that was revised in October 2018.

Custom-made mats to prevent special frauds 13,020



Cooperating with prefectural police, Duskin raises social awareness of special frauds, a nationwide problem, by manufacturing Prevention of Special Frauds Mats. This activity is taking place throughout Japan and the mats have been placed in front of automated teller machines at financial institutions and convenience stores.

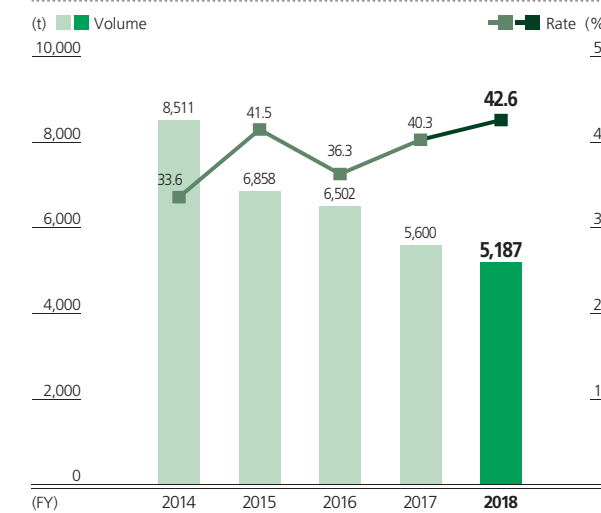
Sow the Seeds of Cleanliness Classrooms 716



Duskin has been supplying comprehensive support for school education about cleaning by providing on-site lessons called Sow the Seeds of Cleanliness Classrooms for elementary children and holding seminars for schoolteachers. In addition, Duskin has posted the Cleaning Education Curriculum on its website.

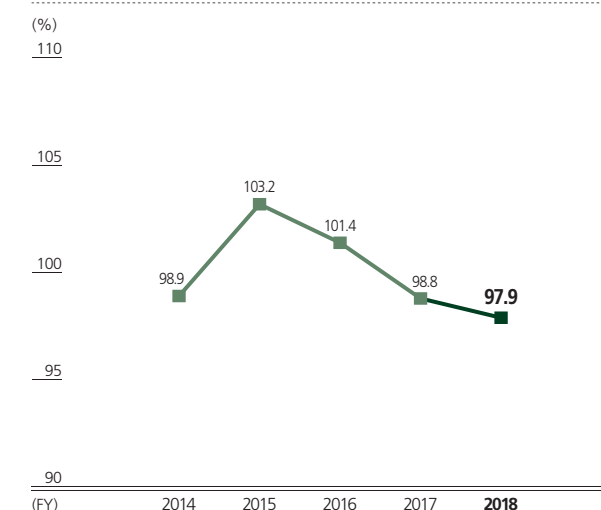
Eco-Friendliness

Rate of recycling food waste 42.6%



Food Group has been working on reducing food waste. In the Kanto and Tokai areas, unsold donuts are transformed in processing plants into animal feed. In FY2019, recycling donuts into biogas is planned to start in the Kansai area.

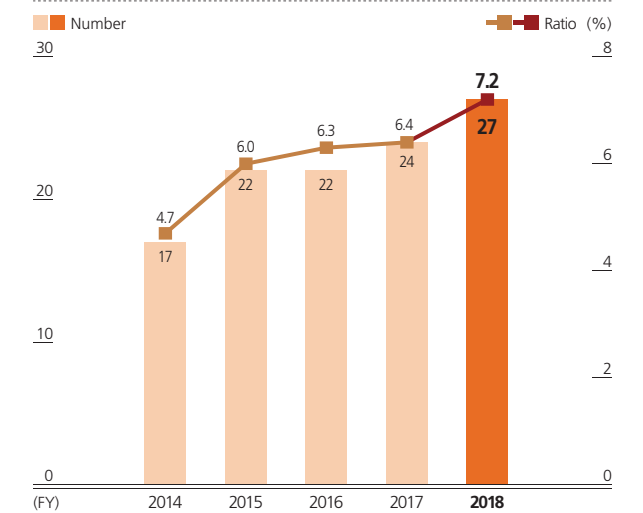
Energy intensity (compared to the previous fiscal year) 97.9%



At Food Group, all shops and restaurants manage energy consumption by controlling air-conditioner settings and avoiding the simultaneous use of electrical equipment. Production & Logistics facilities use energy efficiently in business operations by using energy-saving equipment and operating machinery more efficiently.

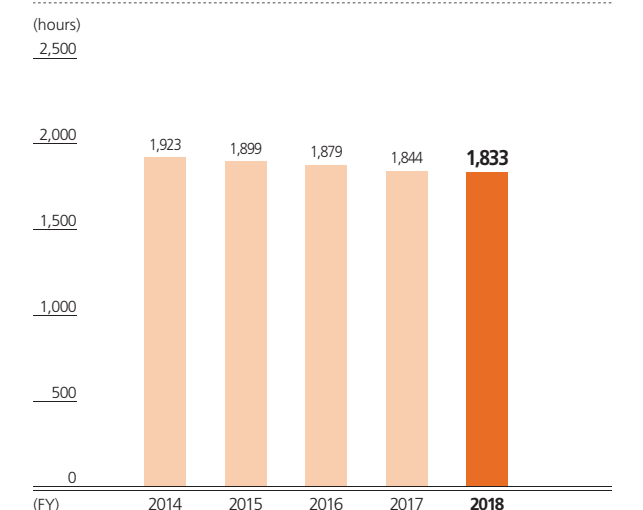
Human Resource Development

Ratio of female employees in managerial positions 7.2%



Since many customers are women, Duskin is dedicated to supplying products and services that are attractive, convenient and comfortable from the perspective of women. Duskin is continuing to conduct many activities to support women in their career development and create an inclusive corporate culture and work environment.

Total annual hours worked per employee 1,833



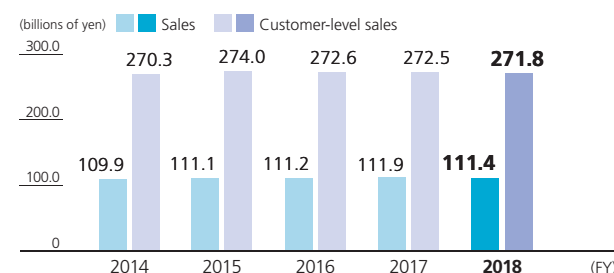
Duskin considers reducing working hours as one of its highest priorities. Data related to long working hours is reported periodically to the Board of Directors. Duskin has been implementing many initiatives, which includes taking 60% of annual paid leave, No Overtime Work Day at least once every month, turning off the lights at six p.m. at the Duskin Head Office building, and the Leave the Office Early Day Campaign.

Direct Selling Group

Under the concept of Daily Life Fine-Tuning, Duskin helps our customers create living and working environments where rhythm meets harmony.

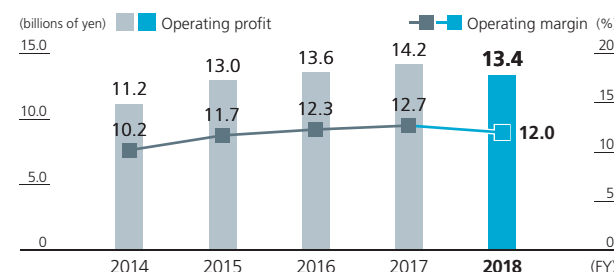


Sales* and customer-level sales

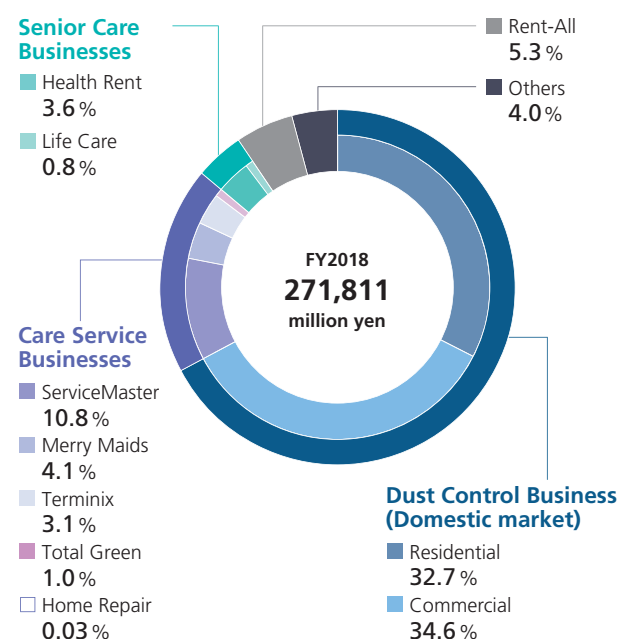


* Sales by business segment above include intersegment sales.

Operating profit and operating margin



Customer-level sales mix



Business Mix

This business segment provides products related to cleaning and cleanliness, with its mainstay of dust control businesses renting items such as mops, air purifiers and mats. We offer our diverse range of products and services to both residential and commercial customers.

In response to the increasing demand in recent years for professional cleaning and technical services, Duskin has established five specialist brands: ServiceMaster, for professional house cleaning; Merry Maids, for home cleaning and helper services; Terminix, for pest control and prevention; Total Green, for plant and flower maintenance; and Home Repair, for fixing scratches and dents. To address growing needs arising in Japan's aging society, we operate a pair of niche businesses: Health Rent, a business for rental and sales of home healthcare equipment; and Life Care, our support service for seniors. Other enterprises in the Duskin stable are: Health & Beauty, a business selling cosmetics and health food; Rent-All, for rental of special event items and daily-use goods; and Uniform Service, for uniform lease, sales and cleaning.

All these businesses operate mainly through our franchise networks. We rent and sell products to franchisees as well as provide them with business system know-how and expertise in return for royalty payments.

FY2018 Business Results and FY2019 Outlook

Sales by Direct Selling Group for FY2018 (ended in March 2019) totaled 111,476 million yen, a 0.4% decrease from

the previous year due to a decline in the sales of dust control products, the core category of this segment. Although cost of sales improved, operating profit was 13,406 million yen, a 5.6% drop compared to a year before. The reasons for this result include a reduced gross profit due to lower sales and higher labor costs arising from allocation of human resources to the hygiene management business segment in response to growing needs, and increased expenses for improving functionality at Contact Center to strengthen customer relationships.

During FY2019, we set a goal to grow sales by increasing the number of DDuet users. DDuet is our membership website and primary contact point with those customers we do not meet on a face-to-face basis. Other efforts involve preventing cancellations and expanding the sales activities of "Hygiene Masters," an expert sanitary management consultancy that serves as a primary contact for sanitary advice.

In pursuit of top-line growth, we have been concentrating on franchise development for Care Service Businesses. Meanwhile, Health Rent focuses on developing and educating advisers who serve customers not just with assisted living and healthcare equipment, but also with all Duskin's services and products.

With these initiatives, the segment sales are expected to be 114,900 million yen, a 3.1% increase over the previous year. Operating profit will be 12,500 million yen, down 6.8% compared to the last year because we anticipate an increase in distribution costs and costs related to the consumption tax hike.

Customer-level sales (millions of yen as of the end of each fiscal year)

		2015	2016	2017	2018	2019
Dust Control (Domestic)	Residential	97,723	96,513	93,814	91,146	88,775
	Commercial	96,109	96,026	94,946	94,507	93,940
Cleaning & Technical Services (Care Service Businesses)	ServiceMaster	26,022	27,063	27,749	28,646	29,358
	Terminix	7,559	7,855	8,062	8,231	8,357
	Merry Maids	9,999	10,460	10,533	10,910	11,127
	Total Green	2,237	2,395	2,542	2,594	2,723
	Home Repair	—	—	36	55	111
Senior Care	Health Rent	7,312	7,984	8,640	9,236	9,901
	Life Care	2,362	2,185	2,157	2,218	2,137
Rent-All		11,242	12,417	12,846	13,627	14,353
Health & Beauty		2,494	2,721	2,746	2,869	2,546
Azare Products Group		3,007	3,749	3,726	3,525	3,536
Uniform Service		2,968	3,150	3,304	3,426	3,399
Drink Service		1,349	1,481	1,524	1,580	1,541

Dust Control Business (Domestic Market) DUSKIN

Dust Control business is a resource recycling business developed through Duskin's franchise network.

We rent reusable cleaning tools such as mats and mops. Establishing a sound franchise network nationwide requires a large investment in laundry equipment and distribution networks, as well as in rental products and materials. Moreover, creating a nationwide framework for sales representatives is expensive in terms of time and money. In light of these factors, few competitors have built a network and brand value that rival Duskin's. Our strength is high market penetration combined with a robust nationwide face-to-face customer base (4.7 million households and 1.2 million commercial establishments).

Shigeo Takenouchi
Operating Officer
General Manager
Operations, Direct Selling Group



State of the Market

The major challenge is fewer contact opportunities both in the residential and commercial markets. The reasons for the tightening residential market include a declining number of people staying at home and stricter regulations under the Act on Specified Commercial Transactions relating to direct-selling businesses. For the commercial market, the primary reason is that final decisions to close a service contract are not made at the store or office level but at the corporate or landlord level, as many of the businesses are chain stores or located in shopping malls*1.

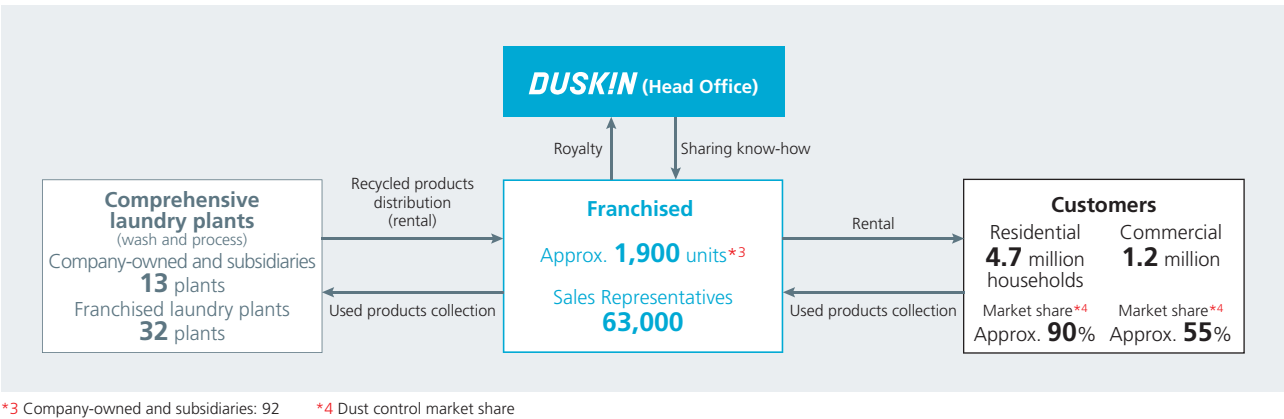
On the other hand, there is growing attention toward sanitation across different industries and business sectors. Take the nursing care sector, for example. Interest and awareness are rising when it comes to preventing users and employees from infectious diseases. Furthermore, in

response to revision of the Food Sanitation Act, hygiene control in the food processing, distribution and restaurant industries must meet HACCP*2 standards. As a result, we expect an increase in demand for hygiene management services as approximately 3.5 million commercial establishments need to comply with the revised law.

*1 Small-sized shops and offices in large-scale commercial establishments such as department stores and shopping malls.
*2 HACCP: A systematic preventive approach to food safety in production processes, manufacturing and distribution

Opportunities	Risks
<ul style="list-style-type: none">Residential: Contact points with 4,700,000 customers, brand valueCommercial: The revised Food Sanitation Act HACCPCommercial: Growing concerns about hygiene management in different industries, including medical and nursing care establishments	<ul style="list-style-type: none">Residential: Less people staying at home and less opportunities to meet with customers after change of lawsResidential: Lower cost-competitiveness due to falling prices of cleaning and sanitary itemsCommercial: Increased no. of chain stores and stores in shopping malls requiring an approval at corporate level

Business Model



*3 Company-owned and subsidiaries: 92 *4 Dust control market share

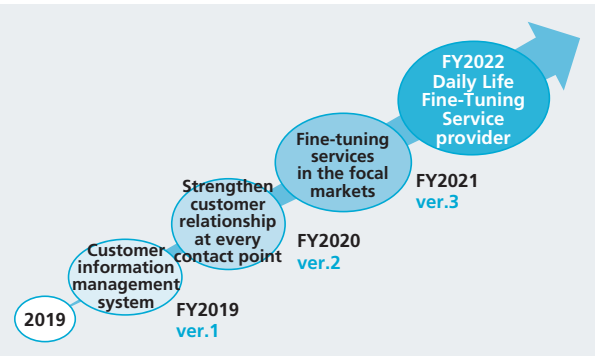
Updates on Medium-Term Management Policy 2018

Basic policy

Our efforts to strengthen the cross-business network among our 16 brands under Direct Selling Group center on accelerating the One Duskin Store plan. This will also aid in transforming Duskin from a cleaning service provider to a lifestyle partner that helps people fine-tune the rhythm of their daily lives. Every Duskin office—including franchised ones—serves as a contact point for listening to inquiries and proposing solutions that draw on the services and products offered by all the brands under the Direct Selling Group.

Another element of this policy is encouraging each customer to register with DDuet, our membership website, as a Premium member to enjoy products and services that are both convenient and high in added value. Complementing the work we do on site is the importance we place on our loyal customers. Indeed, we encourage them to take advantage of the products and services from Duskin's different business lines according to their family structure and age groups.

One Duskin Store Plan



Achievements in FY2018

In the residential market, we endeavored to strengthen customer contact points by growing DDuet membership, expanding use of the postal service to return used mops, and increase the number of Concierges, who present



Developing Hygiene Masters, sanitary management professionals



Customer presentation using a tablet computer



Duskin Laboratory, opened in May 2019

Duskin's comprehensive range of services using tablets. Through these efforts, and following the development of a new manual to use during customer visits, we gained 378,000 new trials, 2.3 times more than the previous year. In addition, our Call Center was transformed into Contact Center, where operators now propose add-on services or products based on customers' inquiries. This improvement is both uncovering potential needs and stimulating demand.

As part of our continuing strategy to expand the business domain from traditional cleaning services to sanitary management for properties and people, we strengthened the product line-up and introduced a team of sanitary management experts called "Hygiene Masters." In FY2018, 640 people completed the training to bring the total to 1,406 of Hygiene Masters. Now our franchisees can, following a detailed inspection, propose services based on the sanitary condition of a customer's property. This initiative is a clear point of difference from our competitors.

Future plans

Future plans include establishing a system to manage and share customer information among 2,000 Duskin offices and businesses nationwide. In terms of the residential market, our endeavors to be a company that serves people throughout their lifetime will involve accommodating the diverse needs of all age groups. As for the commercial market, we will study different requirement preferences and trends to satisfy highly segmented customer needs.

May 2019 saw the opening of Duskin Laboratory, a place to realize the business's transformation into a fine-tuning service for daily life. We want to make the laboratory the place to merge the ideas and voices of consumers, business partners (companies and organizations) and employees with the knowledge and experience of experts, and to create Daily Life Fine-Tuning experiences beyond the boundaries of companies and organizations. The laboratory also plays an important role in gaining Daily Life Fine-Tuning experiences by offering both space and opportunities to discover consumers' needs and develop products and services that fulfill them.

Care Service Business Group



Duskin Care Service Businesses are operated under the franchise business model. We sell cleaning agents and equipment to our franchisees, and support them with management guidance, business systems, know-how, products, and equipment.

The five businesses that meet a diverse range of needs are, namely: ServiceMaster—professional cleaning; 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.

Kiyokazu Yamashiro
Operating Officer
General Manager
Care Service Business Group



State of the Market

The demand for sanitary management and helper services offered under our Care Service Businesses is increasing in major cities. Although the competition is intensifying, demand is outpacing supply. The common challenges in the cleaning service sector are securing human resources and establishing a structure to provide high-quality services. While the price-based competition is increasing, so too is the demand for high value-added services. We are thus expected to sustain the brand value and improve profitability by responding to and accommodating these growing needs.

The demand for air-conditioner cleaning, one of the leading services of ServiceMaster, tends to fluctuate by season. Therefore, it is crucial to achieve both business

expansion and profitability improvement, balancing supply and demand through cultivating demand for cleaning services other than air conditioners, such as by targeting kitchens (in both residential and commercial markets) during the slow seasons.

Opportunities	Risks
<ul style="list-style-type: none">Customer base: 4.7 million households and 1.2 million commercial establishmentsIncreased needs for cleaning and helper services arising from growth of working couplesExpansion of the sanitary management market, where highly professional skills are required	<ul style="list-style-type: none">More competition due to emergence of smaller companies and new entries from other industriesUnbalanced supply and demand level by season

Updates on Medium-Term Management Policy 2018

Basic policy

In our efforts to be the service provider of choice and the number-one franchise chain, Direct Selling Group is embarking on the next stage to achieve its transformation into a Daily Life Tuning service provider. We also set a goal for our five brands under the Care Service Business segment to fine-tune customers’ lifestyles and living environments with our more valuable and convenient services. Establishing an information network between the headquarters and franchisees will help in attaining this aim. Another initiative is to focus our resources on recruiting new franchisees and developing our human talent in order to build a system and structure that will enable Duskin to meet 100% of the growing need for services in this segment.

Achievements in FY2018

Duskin participated in the Franchise Show to recruit new franchisees and expand our franchise network. The new initial fee was introduced to encourage the existing franchisees to open a second office and beyond. As a result, we opened a total of 134 new offices under the five Care Service brands.

One particular area of growth at ServiceMaster has been Custodial Service, where a manager is stationed in a hotel or other facility to manage and control its cleanliness. In anticipation of the increase in demand stemming from the 2020 Tokyo Olympics and Paralympics and the 2025 Osaka-Kansai Expo, we have set up a section dedicated to promoting this Custodial Service.

Merry Maids introduced a new service option targeting working couples, using a smart key system to provide home cleaning services while the customers are absent.

Following the revision of the Food Sanitation Act (hygiene

and sanitary control services in accordance with HACCP), Terminix is strengthening mutual cooperation with Hygiene Masters, with the aim of being Comprehensive Sanitary Management experts through adding the credibility gained over the years as pest-control experts.

At Total Green, sales for the one-time pruning service increased significantly, mainly due to the web advertisement.

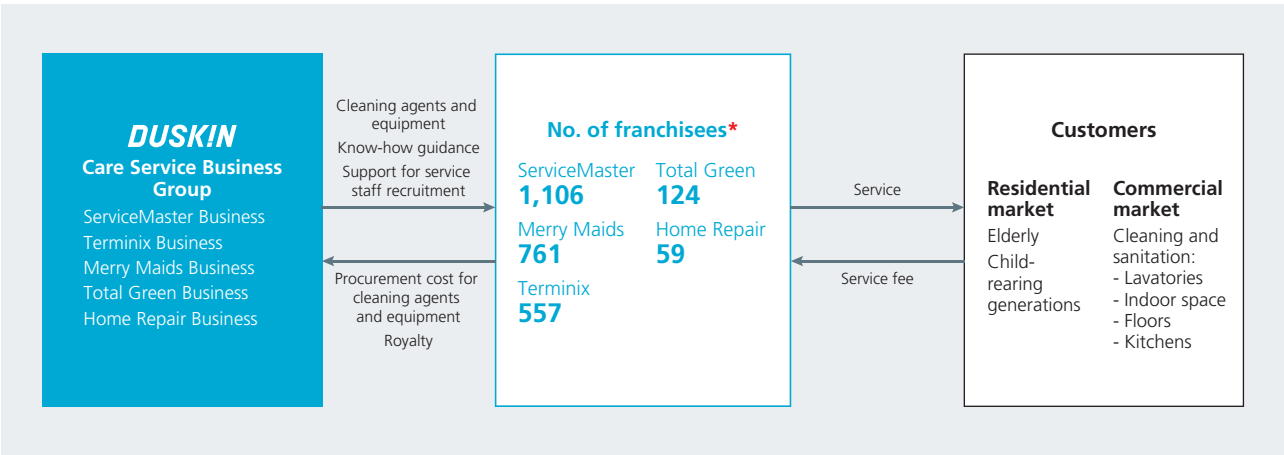
Among Home Repair service options, services to change kitchen sink traps and install hooks for suspending laundry poles became the most popular. These stimulated sales activities at franchised offices. Home Repair also accelerated the opening of new offices in the open territories. As a result, the number of franchised units now totals 59, an increase of 25 offices over the previous year.

Future plans

At ServiceMaster, we will expand the scope of services and further enhance service quality. Marking its 30th anniversary year, Merry Maids will launch a new initiative to secure service crews to better respond to growing demand for home cleaning and helper services. Terminix will continue to offer a comprehensive suite of services in the arena of sanitary management in order to accommodate customers’ needs. In celebrating its 20th anniversary, Total Green will establish a system to convert one-time-service customers to regular clients. Home Repair will expand its scope of service beyond “repair” to fulfill a broader range of customer requests.

In April 2019 we launched a new section, Organizational Development, under the Care Service Business segment. Its roles include recruiting service staff for all Duskin Care Service brands to stimulate new franchise development. It also helps Duskin Care Service brands to better respond to increasing needs and demand for the services and help our customers lead richer and happier lives.

Business Model



* No. of locations as of March 31, 2019. As some units operate multiple brands, the total number of units may differ from the actual number of units.

Voice of a ServiceMaster franchisee

I worked for Duskin as a part-timer during high school. That was my first encounter with Duskin. I clearly remember being elated when the customer thanked me with the words of appreciation, “Thank you for making the house so clean!”

At the age of 26, I joined the Duskin ServiceMaster franchise network. Duskin brand awareness, its know-how for opening a business, and the support were all very helpful and reassuring; the area manager assisted me in building both business and marketing plans.

I found not only the training when opening the office, but also the extended learning sessions to acquire the professional skills and technologies, invaluable. After each session, I always felt more confident with the service.



Mr. Koichi Matsumoto
CEO
Duskin Honjo Nishi ServiceMaster

Senior Care Business



Health Rent sells and rents over 3,100 items nationwide through a network of 150 stores. Our customers can buy or rent most of the items using long-term care insurance, but the items are also for sale or rental to those customers not using insurance.

Life Care serves seniors who wish to stay independent and safe in their own homes. Approximately 2,000 Care Staff at 95 offices throughout Japan provide flexible services to meet the needs of our customers and their families as our service is outside the government long-term care insurance, we are not restrained by the insurance regulations.



Updates on Medium-Term Management Policy 2018

Basic policy

At Health Rent, we have set a goal to increase our market share in providing rental services under the long-term care insurance scheme and to develop products and services for those seniors aged 75 and over.

For instance, we will create new sales channels such as online and mail-order catalogs to expand the company’s reach in marketing specialty products and services, including controlled medical devices and handrail installation.

At Life Care, we also aim to cultivate business by developing new sales channels beyond our existing medical and welfare networks, and develop services to assist people with dementia. Included in the new initiatives are measures to expand our market presence through expos and development of a new franchise package to increase the number of offices. We will also focus on recruiting new Care Staff to provide quality services to more customers.

Achievements in FY2018

At Health Rent, we visit our customers and users every three months to check on their condition as well as that of the rented equipment, and to gauge their satisfaction with our products and services. The information we obtained during the visits was shared with Care Managers to build trusting relationships with them. The fruits of these efforts were adding a monthly average of 3,400 new customers and total customer-level sales of 9,901 million yen for FY2018, a 7.3% gain over the previous year.

Life Care, on the other hand, focused on recruiting franchisees through web advertisements, direct mail campaigns and expos. We were able to achieve favorable sales results for the company-owned offices. Unfortunately, however, a shortage of Care Staff caused a drop in the number of new

service contracts concluded at franchised offices compared to the year before. Consequently, customer-level sales totaled 2,137 million yen, down 3.6% from the previous year.

Future plans

Health Rent continues to visit customers once every three months to provide safe and reliable products and share information with Care Managers, so as to meet expectations of both customers and Care Managers. Through these initiatives, we will provide not only healthcare equipment but also a wide range of products and services only Duskin can offer. We also plan to develop home care equipment consultants, who will be able to meet customers’ needs from material and social perspectives.



One of the major challenges for Life Care is the difficulty of expanding the customer base through networking with Care Managers alone, as our services are not covered by the nursing care insurance scheme. To solve this problem, we will focus on collaborations with relevant businesses, medical agencies and drug stores to raise our brand awareness.

Another initiative is to create a new service package where we provide peace of mind through companionship and personal security services. We expect an increase in demand for the service, as Life Care has contributed to reducing the large number of workers who need to leave their job to care for a family member.



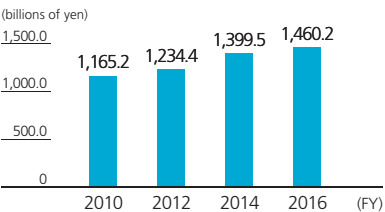
State of the Market

In 2018, the population of people aged 75 and over exceeded those aged between 65 and 74. In 2025, all baby boomers will have turned 75 or more. At this point, the elderly population in Japan will reach its peak.

In line with this demographic trend and the fact that more elderly people wish to stay in familiar environments, the demand for home care and use of home healthcare equipment will continue to grow. Illustrating this trend, the home healthcare equipment industry has expanded from 1,165.2 billion yen in FY2010 to 1,460.2 billion yen in FY2016.

Furthermore, the number of working people who leave their jobs because they need to provide nursing care to family members has risen to 100,000 annually. However, many of them are still not able to support their family members only with the service provided under nursing care insurance. Under these circumstances, the private sector is expected to step in and expand their services to cater for the wide range of needs of elderly people and their family caregivers. We anticipate that there will be a significant increase in the number of them who are willing and able to pay for high value-added services that satisfy their needs.

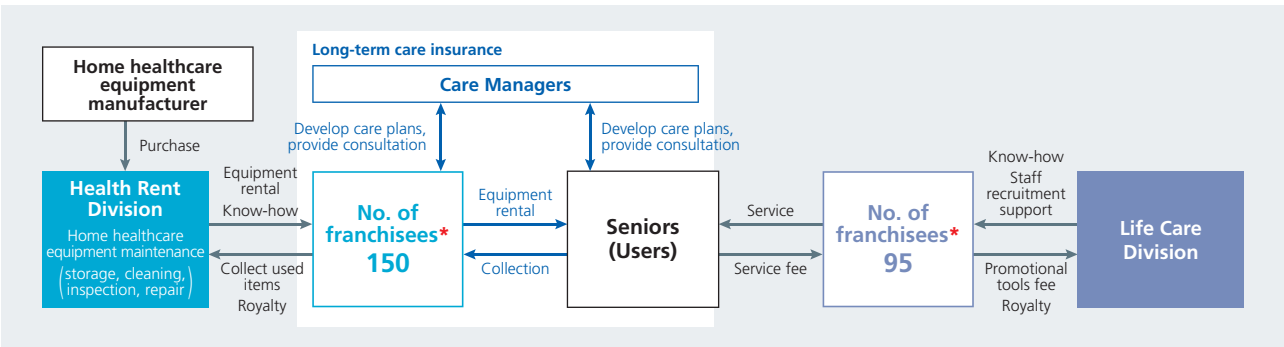
Healthcare equipment market size



Source: Japan Assistive Products Association (JASPA)

Opportunities	Risks
<ul style="list-style-type: none">Increased need for high value-added servicesExpanded services for seniors that target their illnesses and age	<ul style="list-style-type: none">Change in demand after the revision of nursing care insurance (Health Rent)Low recognition and awareness of private-sector services (Life Care)

Business Model



* No. of locations as of March 31, 2019. As some units operate multiple brands, the total number of units may differ from the actual number of units.

Duskin operates a contact center for seniors in Wako City, Saitama.

In partnership with Wako City, Saitama, Duskin operates Wako Iki-iki Life Service Plaza, a contact center for seniors.

Through hosting all kinds of events, the Plaza serves as a new local base where seniors are encouraged to develop their own networks, which help them to lead active and more fulfilling lives. Wako Public Lab plans and hosts workshops on various themes for seniors to participate in at the Plaza, helping to reveal their needs and encouraging them to join activities.

Based on the experiences and knowledge gained through these events, we will develop new services to improve the quality of life for senior citizens.

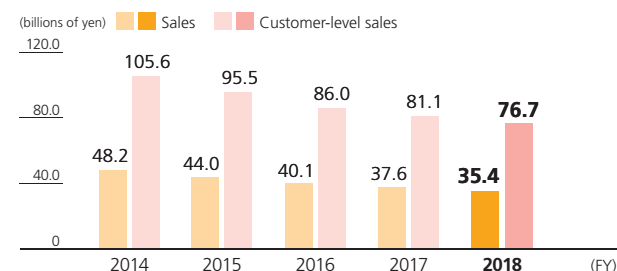


Food Group

Delectable foods with comforting and gracious hospitality—this is what we want our customers to experience.

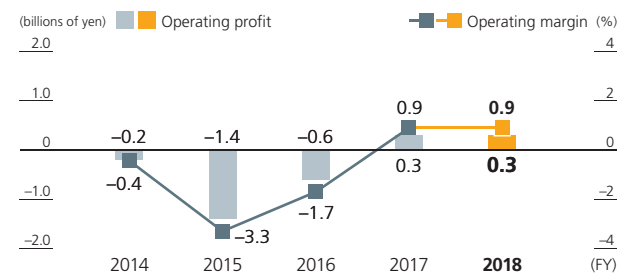


Sales* and customer-level sales



* Sales by business segment above include intersegment sales.

Operating profit and operating margin



FY2018 Business Results and FY2019 Outlook

A series of natural disasters in the first half of the year negatively impacted the business. Shortened business hours, temporary store closures, and closures of underperforming Mister Donut locations, a core category of the group, reduced the total number of shops in operation, which led to a decline in customer-level sales in FY2018 (ended in March 2019). Favorable performance at the existing Pie Face stores, a specialty pie brand, and the increased number of Katsu & Katsu locations contributed to a rise in customer-level sales.

As a result, Food Group sales totaled 35,426 million yen, a 5.8% decrease from the previous year due to lower royalty fees as well as reduced sales of raw materials to franchisees. Operating profit decreased 10.2% from a year earlier to 320 million yen.

Although we expect sales to rise at Katsu & Katsu, which became a separate company in April 2019, sales at Mister Donut are expected to fall on the back of fewer shops in operation in FY2019. For these reasons, we forecast a drop of both sales and operating profit, 35,300 million yen, and 300 million yen respectively.

Mister Donut Business



Mister Donut operates under a franchise business model. We sell raw materials and provide shop operating know-how and donut-making skills in return for royalty payments. As one of Japan's leading donut chains, Mister Donut's strengths are its high brand recognition, market share and ability to develop new products.

Another strength is our wide customer base that covers all ages. Since 2014, we have been holding Mister Donut Fan Meetings on a prefecture-by-prefecture basis, and the number of participants in the past five years has exceeded 3,000.

Tetsuya Wada
Operating Officer
General Manager
Mister Donut Business Group



State of the Market

In the sweet snack market, general merchandisers such as convenience stores and mass retailers increased their sales through a broader product range. Furthermore, cake and confectionery brand chains are escalating their presence in the Japanese market, raising competition with their similar products. At the same time, labor, raw-material and distribution costs are also rising.

Traditionally, we have opened shops in large-scale shopping malls, but recent years have seen a decrease in new shop openings in these commercial establishments. Instead, the key to further growth is developing shops in new locations including in and around railway stations and station buildings.

Against the backdrop of the fall 2019 consumption tax hike, we expect a drop in consumer spending and eating

out. Given the market environment, attractive products and shop development are keys to expanding our customer base.

Opportunities	Risks
<ul style="list-style-type: none"> Expanding and diversifying restaurant/ready-made meal market Synergy through collaboration with companies in different industries and sectors 	<ul style="list-style-type: none"> Lower profitability at shops due to rising prices of raw materials, higher labor and distribution costs Enhanced product appeal/variety at mass retailers and convenience stores

Updates on Medium-Term Management Policy 2018

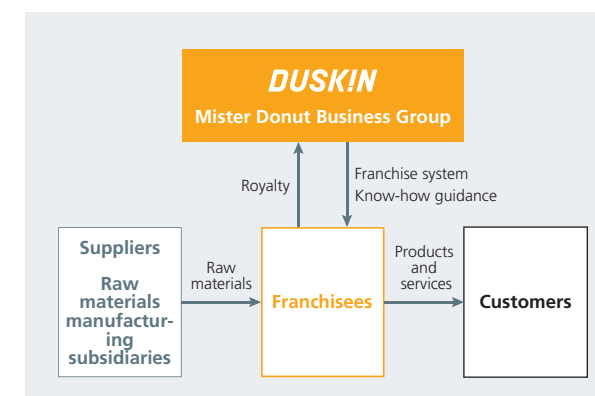
Basic policy

At Mister Donut, the core category of this segment, we will create a space where customers of all ages can casually drop by throughout the day for a pleasant experience, under the slogan "Something good's gonna happen. Mister Donut."

In collaboration with companies and brands known for their leading techniques and high-quality materials, we are developing new products under the MISDO Meets initiative. For instance, we launched MISDO GOHAN light meal items to enjoy at different times of the day, including breakfast and lunch. Another new product category for health-conscious customers is Double Rings for Your Health.

Initiatives in shop and location development include designing different shop types to meet the needs of customers, as well as relocating existing shops and opening new ones.

Business Model



Achievements in FY2018

The MISDO Meets project rolled out new items every quarter, helping to motivate customers to visit shops more frequently. “Let’s meet Pokémons at Mister Donut,” a collaborative project with The Pokémon Company targeted children and garnered great support from parents and their children as an experience they can enjoy together. We also enhanced the MISDO GOHAN menu items, which include seasonal pies, pastas and noodles, as well as MISDO Lunch Sets, which are set menus that feature a meal item along with a donut. These initiatives contributed to an increase of sales per operating shop for two consecutive years.

Shop and location development, however, fell short of the target. The actual number of new shops opened in FY2018 was eight, whereas the goal was 50. Difficulties in finding premium locations to generate the targeted sales, and in forecasting sales to achieve the break-even point with the current price range, were the primary reasons for the failure to reach the goal. Furthermore, although the number of renovated shops increased by 20 locations over the previous year, we did not achieve the targeted number of 125; the actual figure was 74.

Area marketing store development



In major railway stations and suburban station buildings



Eat-in cafés in major cities



Stand-alone stores at suburban roadsides

MISDO Meets product lines released in FY2018

The quarterly roll-out of the new items under this category has gained popularity. We believe this strategy has been a success in drawing the attention of many customers.



Apr. – May 2018
Collaboration with Gion Tsujiri, a Kyoto Uji Matcha specialty brand



July – Sept. 2018
Cheese TARD, collaboration with PABLO, a cheese tart specialist



Oct. – Dec. 2018
Premium Pie, jointly developed with Gotoken, a well-established restaurant in Hakodate, Hokkaido



Jan. – Feb. 2019
Chocolate Collection, a collaborative product category with Toshihiko Yoroizuka, a popular pastry chef

Challenges and future initiatives

We will continue to focus our efforts on developing new items under the MISDO Meets and MISDO GOHAN projects. Another endeavor in the area of product development is to refine recipes that improve the regular items.

In terms of shop development challenges, we will undertake a review to adjust the current strategy. For instance, efforts will focus on carefully selecting locations for particular shop types, such as a take-out-only units. At the same time, the group will also adopt an Area Marketing Shop Development strategy, where satellite shops will open in the neighborhood of existing shops to generate higher profits. Another goal is to open 31 new locations and to renovate 125 shops by March 31, 2020 by reducing the investment needed for shop development.

A new business-development package will be launched for those markets where Mister Donut has not yet penetrated. Specifically, we plan to open a company-managed model shop during FY2019 to accelerate development of the Mister Donut franchise network after March 2021.

Other Businesses

This segment consists of domestic non-franchise businesses, Dust Control and Mister Donut overseas, as well as overseas business license management and raw-material procurement.



Sanitary environments for medical institutions (Duskin Healthcare)

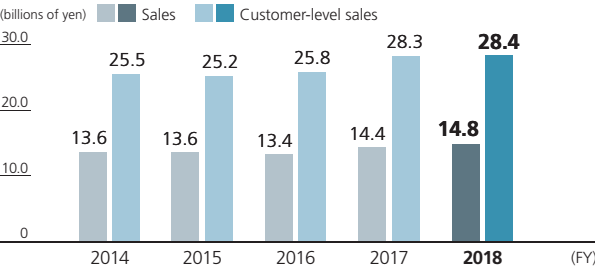


Overseas businesses (Dust Control business; Shanghai, China)



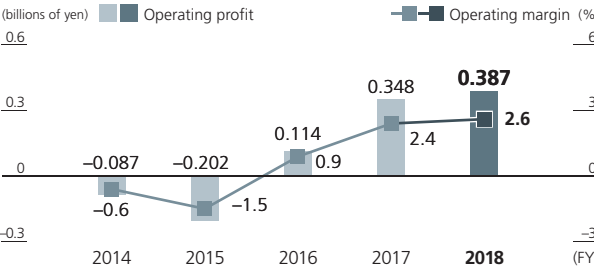
Overseas businesses (Mister Donut, Indonesia)

Sales* and customer-level sales



* Sales by business segment above include intersegment sales.

Operating profit and operating margin



FY2018 Business Result and FY2019 Outlook

During FY2018, sales of Duskin Kyoeki Co., Ltd., a lease and insurance company, remained the same as in the previous year, while Duskin Healthcare Co., Ltd., our medical facility management service, increased its revenue as the number of facilities and customers grew.

As for overseas markets, we focused on developing the existing business brands. In Direct Selling Group, customer-level sales in Taiwan, Shanghai and South Korea exceeded those of the previous year. Duskin Hong Kong Co., Ltd. grew its paper towel business, and Duskin

Customer-level sales for overseas businesses

	Markets	2017	2018	%
Dust Control and Care Services	Taiwan (millions of NTD)	1,133	1,225	8.1%
	Shanghai (millions of CNY)	24	29	21.0%
	South Korea (millions of KRW)	990	1,299	31.2%
Mister Donut	Taiwan (millions of NTD)	1,048	989	-5.6%
	Shanghai (millions of CNY)	20	18	-9.2%
Big Apple	Malaysia (millions of MYR)	59	56	-3.5%

Shanghai Co., Ltd. posted favorable sales results for its dust control items.

Although customer-level sales for Mister Donut in Taiwan and Shanghai, and Big Apple (a Malaysia-based donut brand), were lower than a year earlier, customer-level sales for Mister Donut in Thailand, the Philippines and Indonesia exceeded the previous year’s results. A strong yen at the end of the business year also contributed to a sales increase in overseas markets.

Overall, the result was 14,858 million yen in sales, a 3.1% increase from the previous year. Operating profit was 387 million yen, 11.4% up from the previous year, mainly due to a higher profit at Duskin Healthcare Co., Ltd. and reduced losses at overseas businesses. Mister Donut in Shanghai, China was closed in March 2019 due to falling profitability arising from higher labor costs and rising rent.

In FY2019 we will continue to focus our resources on developing businesses tailored to Asian markets, and expect to generate sales of 15 billion yen, a 1% rise from a year earlier. Operating profit is forecast to be 300 million yen, a 22.6% decrease over the previous year.

Board of Directors



Teruji Yamamura
**Representative Director
President & CEO**
Number of shares owned : 33,785
Board meeting attendance
in FY2018 : 20/20

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
**Director,
Executive Vice President &
Operating Officer**
Number of shares owned : 11,300
Board meeting attendance
in FY2018 : 18/20

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 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
**Director &
Senior Executive
Operating Officer**
Number of shares owned : 18,755
Board meeting attendance
in FY2018 : 20/20

June 2019 Director
Senior Executive Operating Officer
Human Resources, Legal Affairs & Corporate
Compliance, Quality Assurance & Risk
Management, New Business Development,
Public Relations, International (to the present)
Apr. 2019 Director
Senior Executive Operating Officer
Human Resources, Legal Affairs & Corporate
Compliance, Quality Assurance & Risk
Management, New Business Development,
International
Apr. 2018 Director
Executive Operating Officer
International, Care Service Business Group
June 2015 Executive Director
General Manager, Clean & Care
Development Group
June 2008 Director
Manager, Overseas Business Development
Chairman & CEO, Duskin Hong Kong Co., Ltd.
Apr. 1980 Joined the Company



Yasuto Shigeyoshi
**Audit &
Supervisory Board Member**
Number of shares owned : 6,000
Board meeting attendance
in FY2018 : 20/20
Audit & Supervisory Board meeting
attendance in FY2018 : 13/13

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



Takashi Yoshida
**Audit &
Supervisory Board Member**
Number of shares owned : 4,000
Board meeting attendance
in FY2018 : 20/20
Audit & Supervisory Board meeting
attendance in FY2018 : 13/13

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



Junichi Narahara
**Director &
Senior Executive
Operating Officer**
Number of shares owned : 10,600
Board meeting attendance
in FY2018 : 20/20

June 2019 Director
Senior Executive Operating Officer
Direct Selling Group Strategy Management &
Operations, Care Service Business Group
Uniform Service (to the present)
Apr. 2019 Director
Senior Executive Operating Officer
Direct Selling Group Strategy Management &
Operations, Care Service Business Group
Apr. 2018 Director
Executive Operating Officer
Direct Selling Group Strategy Management &
Operations, Corporate Account
General Manager, Strategy Management,
Direct Selling Group
June 2009 Director
General Manager, Mister Donut Business Group
Oct. 1982 Joined the Company




Kazushi Sumimoto
**Director &
Executive Operating Officer**
Number of shares owned : 7,785
Board meeting attendance
in FY2018 : 20/20

June 2019 Director
Executive Operating Officer
Corporate Planning, General Affairs,
Accounting, Information System, Production
& Logistics (to the present)
Apr. 2019 Director
Executive Operating Officer
Corporate Planning, General Affairs,
Accounting, Public Relations, Information
System, Production & Logistics
Apr. 2018 Director
Senior Operating Officer
Corporate Planning, Production & Logistics
June 2014 Director, Home Instead
Apr. 1983 Division Manager, Rent-All
Joined the Company




Taku Suzuki
**Director &
Senior Operating Officer**
Number of shares owned : 3,900
Board meeting attendance
in FY2018 : 20/20

June 2019 Director
Senior Operating Officer
Rent-All, Health Rent, Life Care, Health &
Beauty (to the present)
Apr. 2018 Director
Senior Operating Officer
Rent-All, Health Rent, Life Care, Uniform
Service, Health & Beauty
June 2016 Director, Product Inspection Center
General Manager, Production & Logistics
Group
Apr. 1989 Joined the Company



Takaaki Oda
**Audit &
Supervisory Board Member**
Outside Independent
Number of shares owned : —
Board meeting attendance
in FY2018 : 18/20
Audit & Supervisory Board meeting
attendance in FY2018 : 13/13


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



Sachiko Kawanishi
**Audit &
Supervisory Board Member**
Outside Independent
Number of shares owned : —
Board meeting attendance
in FY2018 : 20/20
Audit & Supervisory Board meeting
attendance in FY2018 : 13/13

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
Director
Outside Independent
Number of shares owned : —
Board meeting attendance
in FY2018 : 20/20

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.



Tomoya Yoshizumi
Director
Outside Independent
Number of shares owned : 200
Board meeting attendance
in FY2018 : 20/20

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 NORTH AMERICA,
INC (current 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.



Nobuko Sekiguchi
Director
New Outside Independent
Number of shares owned : —
Board meeting attendance
in FY2018 : NA

June 2019 Director (to the present)
Mar. 2019 Resigned from CAPCOM CO., LTD.
Apr. 2016 Managing Corporate Officer
Head of Corporate Planning & Human
Resources Division
Apr. 2011 Corporate Officer
Head of Corporate Planning Division
Apr. 2007 General Manager of Accounting
Department
Nov. 2005 Joined CAPCOM CO., LTD.



Kyoichiro Arakawa
**Audit &
Supervisory Board Member**
Outside Independent
Number of shares owned : 3,000
Board meeting attendance
in FY2018 : 20/20
Audit & Supervisory Board meeting
attendance in FY2018 : 13/13

July 2017 President & CEO, Best Partners Co., Ltd. (to
the present)
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.

Audit & Supervisory Board Members

Operating Officers

Teruji Yamamura
President & Chief Executive Officer
Auditing

Kenichi Miyajima
Executive Vice President & Operating Officer
President's Office, Food Group,
Corporate Account

Kazuo Okai
Senior Executive Operating Officer
Human Resources, Legal Affairs & Corporate
Compliance, Quality Assurance & Risk
Management, New Business Development,
Public Relations, International

Junichi Narahara
Senior Executive Operating Officer
Direct Selling Group Strategy Management &
Operations, Care Service Business Group,
Uniform Service

Kazushi Sumimoto
Executive Operating Officer
Corporate Planning, General Affairs, Accounting,
Information System, Production & Logistics

Taku Suzuki
Senior Operating Officer
Rent-All, Health Rent, Life Care, Health & Beauty

Osaharu Fujii
Senior Operating Officer
Legal Affairs & Corporate Compliance,
Quality Assurance & Risk Management,
New Business Development

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

Kazuyoshi Fujioka
Operating Officer
General Manager, Strategy Management,
Direct Selling Group

Shigeo Takenouchi
Operating Officer
General Manager, Operations,
Direct Selling Group

Interview with an Outside Director

“We will enhance the effectiveness of the Board of Directors to maximize returns through solid analysis of current operations and risk management.”

Tomoya Yoshizumi
Outside Director

Joined Ajinomoto Co., Inc. in 1978.
Named a Member of the Board in 2007.
Served in leadership positions, including President of Amino Acids Company, General Manager, North America Division, Bioscience & Finechemicals Business Division and President of Ajinomoto U.S.A. (currently called Ajinomoto Health & Nutrition North America, Inc.).
An Outside Director of Duskin Co., Ltd. since June 2017.



Q1 What is your evaluation of Duskin’s Board of Directors?

Two years have passed since I assumed the position of Outside Director in June 2017. I believe the effectiveness of the Board of Directors has been improved compared to what it was in my first year. The Operating Officer System, which was introduced from April 2018, has greatly contributed to this improvement. In my first year, detailed reports on the status of business operations were made at the meetings of the Board of Directors. There were many times that I felt the items on the agenda needed to be better organized. With the introduction of the Operating Officer System, the function of the Board of Directors was made clearer by delegating the business execution to the Operating Officers. This led to a better organized agenda at the Board meetings, and expedited decision-making processes for both Directors and Operating Officers.

Due to the reduction of the number of internal Directors, Outside Directors now comprise one-third of all Directors. This facilitated more active discussions, helping us, Outside Directors and Outside Audit & Supervisory Board Members to express our opinions more freely. As a result, management

decisions, from a company-wide perspective, are now made more effectively. We hold regular meetings of the Outside Directors and Audit & Supervisory Board Members Council (with three Outside Directors and three Audit & Supervisory Board Members) as an advisory body for the Board of Directors. The discussion report and recommendations from this Council are shared and reviewed within the business divisions. Responding to our recommendations, the business divisions developed their measures and have come to present them to the Board of Directors. This is a good example of the improved effectiveness of our Board of Directors.

If I would make a request, I would ask for more diversity among our Board of Directors. Our current Board has two female outside directors, but there are no women among the internal Directors. I look forward to having female directors on board. Also, the majority of the internal Directors are from the business divisions. To maintain diverse viewpoints, I think it is beneficial for us to have directors from other areas, such as finance, human resources, or compliance departments.

Q2 What do you think your role is as an Outside Director?

Outside Directors at Duskin have different backgrounds. As for myself, I have experiences in developing strategic plans for a whole group of companies and supervision of business operations outside Japan. Leveraging this expertise, I will support the Board to make good management decisions, which I believe is my most important mission.

I also raised the topic and led a discussion at the Board meetings on the capital policy for improvement of the Return on Equity and Price Book-value Ratio.

In the future, I expect to take more opportunities to give advice and make recommendations for overseas business development based on my experiences in global businesses.

Q3 How do you evaluate Duskin’s support system for Outside Directors?

Duskin supports us well by giving us all the information we need to fulfill our duties as Outside Directors. We are also given opportunities to talk directly with franchise owners at the events and meetings. In these past two years, my understanding of Duskin’s management philosophy, policies and businesses has been significantly deepened. Because of my background in the manufacturing industry (Ajinomoto Co., Inc.), I did not have sufficient knowledge and understanding of some aspects of franchising. Duskin has another stakeholder, franchisees, who are united in our philosophy of Prayerful Management. I have come to understand that the profit distribution at Duskin should be considered with our franchisees included as stakeholders to improve shareholders value. This needs a different approach from that of general manufacturers.

As to the meeting materials, I would appreciate more digitization of documents. Electronic documents facilitate and expedite the process of the preparation for the meetings. We can check such documents at home or elsewhere and pose questions well in advance to the related business divisions or departments. This can help the divisions or departments to prepare the required explanations and information in time.

I hope the use of less paper, more electronic documents and tablet devices will be accelerated to further improve efficiency and save resources.

Q4 What do you think is necessary to improve effectiveness of the Board of Directors?

The effectiveness of Duskin’s Board of Directors has been steadily improving. However, I believe we should aim for a higher level of effectiveness. The role of the Board of Directors is to identify potential risks from the current business operations, to develop response measures and to maximize the returns. Business divisions and other departments are responsible for the optimum operations in their own areas. However, such optimization tends to be partial or divisional as their focus stays within the scope of division/department’s operations. It is the responsibility of the Board of Directors to achieve total optimization for all of our activities from a company-wide perspective.

the key issues and concentrating the effort required, in order to decide the effective asset allocations to achieve long-term strategic goals. Then, the Board should delegate the execution to business divisions. I believe effective portfolio management, one that drives the execution of the growth strategy is the key to improve the effectiveness of the Board of Directors. Following this process and approach will also contribute to the development of the next generation of leaders.

As an Outside Director, I will continue to actively participate in the analysis of our current operations and discussions for our future development. In so doing, I hope to contribute to further improve the effectiveness of our Board of Directors.

Corporate Governance

Basic policy

Duskin positions the strengthening of corporate governance as one of its highest priorities in order to meet the expectations of stakeholders, increase corporate value over the medium- to long-term, and achieve continuous growth of business operations. Alongside establishing a management framework that allows us to accommodate changes in our business environment with swiftness and precision, Duskin is building a structure, an organization and systems to ensure transparent and sound management.

Duskin also places compliance at the center of all our corporate activities in order to continuously improve our corporate value.

Corporate governance structure

Duskin is a company with an 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.

In addition, Duskin started using the Operating Officer System in FY2018. Delegating authority to the Operating Officers strengthens the supervisory and advisory functions of the Board of Directors.

Board of Directors

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. 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.

To enable the Board of Directors to focus on making important management decisions and monitoring business operations in order to swiftly and precisely 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.

Initiatives to strengthen corporate governance

(FY)	
2003	Organized Quality Assurance Committee to establish quality assurance structure within the company (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	Participation in Electronic Voting Platform
2014	Increased the number of Outside Directors from one to two Established Outside Directors and Audit & Supervisory Board Members Council
2015	Increased the number of Outside Directors from two to three Started to post our shareholders' meeting notice on the internet earlier than distributing print version
2016	Started to analyze and evaluate the effectiveness of the Board of Directors
2017	Established a share-based-remuneration-type stock option program Introduced Directors Evaluation and Nomination system. Organized Directors Evaluation Committee Introduced Operating Officer System
2018	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
2019	The Directors Evaluation Committee was changed to consist of only independent directors and to function an advisory body for the Board of Directors.

Audit & Supervisory Board

The Audit & Supervisory Board has five members. There are two full-time members who have considerable knowledge concerning finance, accounting, legal matters and compliance, and three outside members (all independent directors, one woman) who are certified public accountants and an attorney. 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.

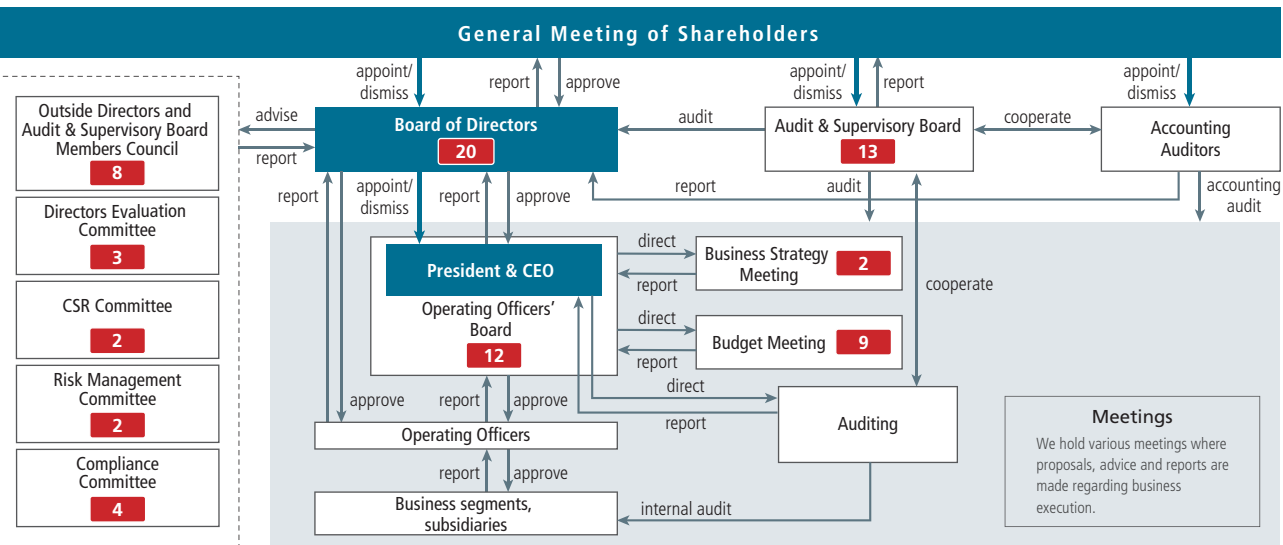
Audit & Supervisory Board Members attend the Board of the Directors meetings and other key meetings, where they share their professional opinions with the Directors. Meetings of the Audit & Supervisory Board are held monthly to discuss decisions on audit policies and progress involving audits.

Advisory bodies

Outside Directors and Audit & Supervisory Board Members Council

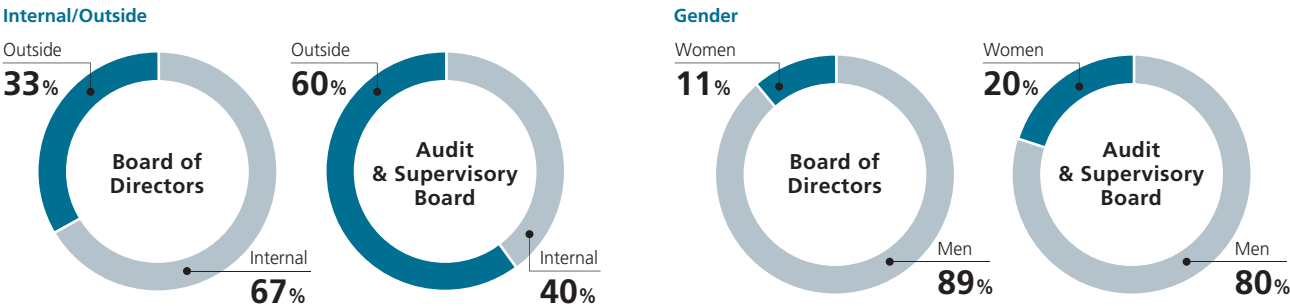
Duskin has an Outside Directors and Audit & Supervisory Board Members Council, which is an advisory council for the Board of Directors. Its purpose is to provide beneficial views for ensuring effective corporate governance, while enabling Outside Directors to gather information without affecting their independence. This makes it possible to monitor and supervise Duskin's management from a transparent, fair and objective viewpoint.

Corporate governance structure (as of April 2019)

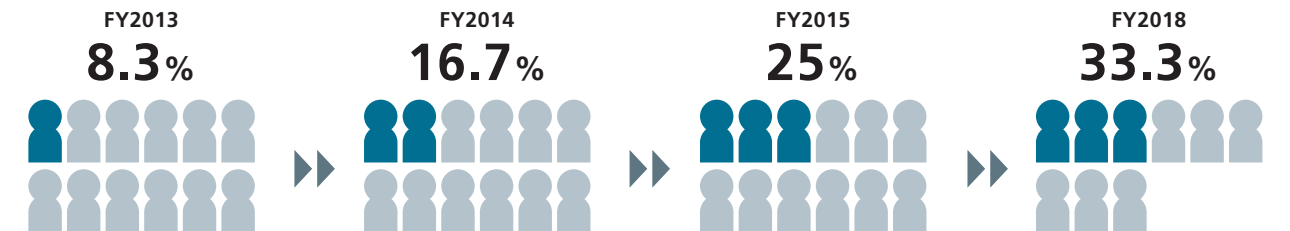


Number of meetings held in FY2018

Compositions of the Board of Directors and Audit & Supervisory Board (as of June 25, 2019)



Percentage of Outside Directors



Directors Evaluation Committee

The Directors Evaluation Committee was established as an advisory body for the President & CEO to consider Director and Operating Officer candidates and their remuneration, which requires the approval of the Board of Directors.

In April 2019, this committee was changed to an advisory body for the Board of Directors with the aim of improving the effectiveness of the Directors Evaluation and Nomination system. The committee now consists of only independent directors, resulting in greater transparency and objectivity.

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.

Committees and meetings

Name	Chair	Members	Function
Board of Directors	Teruji Yamamura (President & CEO)	9 Directors (3 Outside Directors) Observers: 5 Audit & Supervisory Board Members (3 Outside Audit & Supervisory Board Members)	Makes decisions about important matters involving the Duskin Group's management and supervises business operations.
Audit & Supervisory Board	Yasuto Shigeoyoshi (Standing Audit & Supervisory Board Member)	5 Audit & Supervisory Board Members (3 Outside Audit & Supervisory Board Members)	Audits in accordance with laws and regulations including designated number of audits, attends important meetings and monitors the Duskin Group's management.
CSR Committee	Kazushi Sumimoto (Director)	6 Operating Officers (5 are also Directors), 2 Outside Directors, 1 Standing Audit & Supervisory Board Member	Determines the medium-term basic policy for CSR, annual CSR activities, and discusses measures for issues requiring attention.
Risk Management Committee	Kazuo Okai (Director)	2 Operating Officers (1 is also a Director), 8 managers of corporate departments, and 2 administration section chiefs of business divisions	Discusses annual plans for risk management, causes of incidents and responses, the business continuity plan (BCP), identifies risk factors, and examines risk audit results.
Compliance Committee	Kazuo Okai (Director)	7 Operating Officers (2 are also Directors), 2 Outside Directors, 1 Standing Audit & Supervisory Board Member, 1 labor union chair, 1 attorney	Discusses the compliance framework, annual plan, training plans and status of the whistle-blowing system.
Outside Directors and Audit & Supervisory Board Members Council	Tadashi Yamamoto (Outside Director)	3 Outside Directors, 3 Outside Audit & Supervisory Board Members	Provides advice to improve medium- to long-term corporate value of Duskin.
Directors Evaluation Committee	Tadashi Yamamoto (Outside Director)	2 Outside Directors, 1 Outside Audit & Supervisory Board Member	Provides advice concerning the selection of candidates for Directors and Operating Officers and their remuneration in response to the Board of Directors' requests.
Business Strategy Meeting	Teruji Yamamura (President & CEO)	14 Operating Officers, 3 Outside Directors, 5 Audit & Supervisory Board Members (3 Outside Audit & Supervisory Board Members)	Discusses company-wide business strategies, business portfolios and the allocation of Duskin Group resources from a medium- to long-term perspective.
Operating Officers Board	Teruji Yamamura (President & CEO)	14 Operating Officers Observers: 2 Standing Audit & Supervisory Board Members	Examines important issues involving business operations.
Budget Meeting	Teruji Yamamura (President & CEO)	8 Operating Officers (6 are also Directors), 2 Standing Audit & Supervisory Board Members	Monitors budget progress at business divisions, identifies the discrepancies between forecasts and actual results and discusses necessary actions.

Business execution

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.

Business Strategy Meeting

The Business Strategy Meeting is 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.

Budget Meeting

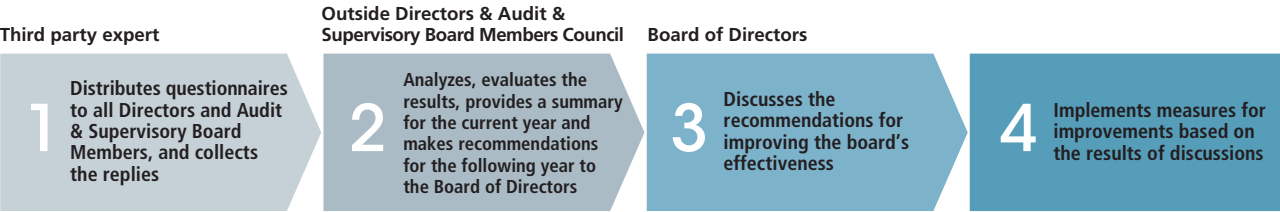
The Budget Meeting is held to monitor budget progress for each business division and identify the discrepancies between forecasts and actual results as well as to discuss measures to be taken.

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 medium- and long-term sustainable growth and stronger corporate value.

The FY2018 analysis and evaluation process and results and FY2019 plan are as follows:

Analysis and evaluation process



Target & Period: 15 meetings of the Board of Directors held between April 2018 and December 2018

Analysis and evaluation results

Issues	Improvements	Challenges to be addressed
Strengthening decision making and monitoring functions of the Board of Directors	<ul style="list-style-type: none">Introduced Operating Officers System. Significant delegation of authority to Operating Officers gives the Board of Directors time for discussing important matters.Enhanced the corporate strategy planning department to facilitate constructive discussions of company-wide management strategies at the Board of Directors meetings.	Review of management plan Enhanced initiatives in line with strategic themes unique to Duskin for sustainable growth
Composition of the Board of Directors	<ul style="list-style-type: none">Reorganized the Board of Directors by reducing the number of Directors by three and optimized the composition of the Board. Expanded the roles and responsibilities of Directors and Operating Officers and enabled the Board to facilitate strategic discussions and have the results of the discussions reflected in the management of business operations.	More diversity of members
Remuneration system that functions as sound incentive	<ul style="list-style-type: none">Decided to start using new systems for Directors' remuneration system and remuneration governance in FY2019.Established a framework to have the Directors Evaluation Committee monitor the criteria and process for determining Directors remuneration.	—
Improvement of objectivity and transparency of the process of selection and dismissal of Directors, including Representative Director, and the process of successor development	<ul style="list-style-type: none">Disclosed the process of Directors evaluation, selection and dismissal process for Directors in the corporate governance report and improved transparency. Also complied with the corporate governance code supplementary principle 4.1.3 for selection of the CEO.Enhanced effectiveness of Directors Evaluation Committee by changing composition to all independent directors.Established a system to have the Directors Evaluation Committee monitor the election and dismissal of Directors.	Development of next generations of senior executives

FY2019 initiatives

Issues	Plans
Enhanced discussions of management strategies	<ul style="list-style-type: none">Review the business portfolio for sustainable growth while paying due attention to the cost of capital. Regularly review financial policies and resource allocations on investments (facilities, R&D, IT and human resources) and reflect the results in the business operations.The Board of Directors regularly monitors all resolutions made (including management plans) approved by the Board as needed.
Composition of the Board of Directors and development of next generations of executives	<ul style="list-style-type: none">The Board of Directors shares the selection, development and promotion of current Directors and the next generations of Director candidates.Provide current Directors and the next generations of Director candidates with training for corporate operations and governance, including interactions with external organizations, with the aim of helping them acquire knowledge about management practices and thinking.

Election policies for the Board of Directors

Duskin selects candidates for election as Directors from among individuals who fulfill the basic conditions of having the character, knowledge and ethical views for serving as a Director and who have no health issues that would interfere with performing the duties of a Director.

For internal Director candidates, the Representative Director requests for recommendations from the current Directors and Audit & Supervisory Board Members. Then individuals who can execute medium- to long-term strategies of the Duskin Group and have a positive effect on the organization’s vitality are chosen as candidates. The Board of Directors makes final selections after thorough discussions, with advice from the Directors Evaluation Committee (chaired by an Outside Director, the majority is comprised of independent Directors).

For Outside Director candidates, Duskin selects individuals who can maintain independence and have no special financial relationship with the Duskin Group. These individuals must also have a business career and professional knowledge needed for enabling the Board of Directors to perform its supervisory and advisory functions. These individuals must also be able to provide useful advice from many perspectives in order to maintain the transparency and soundness of management and the fairness of procedures. The Board of Directors makes final selections.

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 selections of Outside Directors

Name	Reasons for selection/election
Tadashi Yamamoto	Extensive experience and insight in corporate management as a Director and Senior Managing Corporate Officer at Wacoal Corporation. Considerable business experience in the fields of human resource planning, international operations and other fields
Tomoya Yoshizumi	Extensive experience and insight in corporate management as a Member of the Board and Corporate Vice President at Ajinomoto Co., Inc., including strategic production planning, the Medium-Term Management Plan and implementing M&A strategies for the Ajinomoto Group, supervising business operations in North America as General Manager, North America Division and President of AJINOMOTO NORTH AMERICA, INC.
Nobuko Sekiguchi	Extensive experience and insight in corporate management as Managing Corporate Officer, including personnel system reforms and corporate planning such as formulation of its Medium-Term Plan, the annual budget management, organizational restructuring, and M&A transactions.

Note: All three are independent directors.

Standards for independence of Outside Directors and Outside 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. Then, the Board of Directors makes the final decision.

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

Directors’ remuneration

Duskin positions Directors’ remuneration as an important issue for our corporate governance. To raise Directors’ motivation to achieve medium- and long-term sustainable growth and enhance corporate value, Duskin established the Directors Evaluation and Nomination system. With this system, their contributions and capabilities are determined and reflected in their remuneration.

The remuneration 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 determination of remuneration by the Board of Directors includes the use of officer remuneration survey data provided by an external research organization as well as comparisons of Duskin’s current remuneration system and level of remuneration with those of companies of a similar size and companies in similar business sectors and with similar operations. The Board of

Directors remuneration (FY2019) (thousands of yen)

Category	Total remuneration	Type of remuneration				Members
		Basic remuneration	Bonus	Stock option		
Directors*	247,130	194,521	42,200	10,409		6
Outside Directors	23,400	18,600	4,800	0		3
Standing Audit & Supervisory Board Members	52,500	45,300	7,200	0		2
Outside Audit & Supervisory Board Members	29,700	24,900	4,800	0		3

* Excl. Outside Directors

Directors makes the final decisions, taking into consideration the advice of the Directors Evaluation Committee, after thorough discussions. The base compensation is determined in accordance with the responsibilities and rank of each Director. 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. Share based-remuneration-type stock options replace part of the basic remuneration. Individuals can receive up to 50 million yen of stock options every year.

The compensation of Outside Directors and Audit & Supervisory Board Members consists of basic compensation and a performance-based bonus. A certain amount is set as base compensation and bonuses for Outside Directors, after taking into account their backgrounds and other matters. 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.

Training for Directors

At Duskin, newly elected Directors and Audit & Supervisory Board Members can attend seminars to receive information about their legal duties and responsibilities.

When selecting Outside Directors, the President & CEO explains Duskin’s management philosophy and confirms their agreement. Then, Duskin’s business strategy and business operations are explained. To help them deepen their knowledge of Duskin, opportunities to visit major business sites, training facilities and plants are provided.

Successor development plan

Duskin provides opportunities for successor candidates with the potential to become senior executives to gain experience at leadership positions of business divisions, regional offices and subsidiaries in order to acquire knowledge about management decisions. The President & CEO conducts monthly individual meetings with all Operating Officers. Quantitative assessments of their performances are made every six months in line with the Directors Evaluation and Nomination System. The President & CEO also reviews their capabilities and performance with them.

Policy related to acquisition and holding of cross-shareholdings

The policy for cross-shareholdings is to hold a suitable number of shares only when there is a legitimate reason for owning these shares. Investments in stocks for which there is no legitimate reason for ownership are reduced or eliminated.

Every year, the Duskin Board of Directors determines if the ownership of each cross-shareholding is proper or not. Decisions are based on the need for each cross-shareholding regarding business activities, such as business alliances, maintaining and strengthening business relationships, Duskin’s cost of capital, share price movements and other factors.

Constructive dialogue with investors, analysts and shareholders

Duskin conducts a variety of investor relations (IR) and shareholder relations (SR) activities for the purposes of earning trust in the company’s management, receiving a proper evaluation of the company, and achieving sustained business growth and medium- to long-term growth of business operations and corporate value. When requests for individual meetings are received from our shareholders, individual investors or institutional investors, our senior management and Directors respond to the extent believed to be reasonably necessary in relation to the purpose of each request.

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.

We strive to improve our website and other IR information that is useful for individual investors and shareholders to make investment decisions. Duskin discloses the financial results, business strategies, ESG information, news and other topics of interest.

In FY2019, Duskin held company briefings targeting individual investors ten times with 1,090 participants. We also had a booth at the Nikkei IR Investment Fair and TSE IR Festa with 2,500 visitors. Duskin holds financial results briefings for analysts and institutional investors twice every year, and visits institutional investors and analysts quarterly to have active dialogue with them.

Risk Management

Risk Management Committee

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 supervisors. 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.

Duskin has a Risk Management Committee, as an advisory council for the Board of Directors. The committee was held twice in fiscal 2018. It discussed and reported on Duskin’s risk management annual plans, the causes of the risks that have occurred, and the measures to be taken to counter them, and results of auditing and business continuity plan (BCP).

In the event of an incident that may have a major impact on the Duskin Group, a response office is established.

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 according to Risk Prevention Manual.

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 enhance their countermeasures. Each department identifies new possible risks based on the information on revisions of laws and regulations and any crisis that occurred at Duskin. Each department formulates and implements its own risk management programs.

■ Risk factors and measures

Category	Risks	Measures
Business model (franchise system)	Difficulty to obtain consent and cooperation from franchisees, which leads to suspension or delay of business plans	Sufficient communication to obtain consent for cooperation and sharing expenses from franchisees for development and introduction of new products and services, new shop openings and renovation of existing shops
	Termination/cancellation by franchisees, lawsuits with franchisees, violations of laws and ordinances by franchisees and scandals	Improve programs to provide guidance and training while further building relationships with franchisees.
Change in business environment	Dust control business: shrinking size of the market	Develop products, expand sales channels, and respond to diversified payment methods. New franchise recruitment for Care Service businesses for business expansion in the growing market.
	Mister Donut business: market trends, competition, change of consumers’ preferences and higher cost of ingredients	New openings in urban and suburban areas, shop renovations and relocations to meet customers’ needs and locational factors, value-added menu development, and expansion in Asia.
Product safety	Quality problems of products provided by Direct Selling Group	Objectively check safety and reliability of the products starting with the development stage. After product launches, conduct, from time to time, a quality check of the products distributed in the market and maintain quality standards.
Food safety	Food poisoning, violation of laws and ordinances, including Food Sanitation Act at our shops and restaurants	Develop and operate an internal system to maintain food safety, including production of a sanitary management guide, and perform regular voluntary inspections using third party experts.
Service quality	Liabilities for accidents occurred during service provision. Health hazards arising from service defects or problems involving equipment and materials	Improve skills of service staff by training them how to prevent from accidents and to respond to emergencies. Develop and maintain manuals. Improve service quality and consistency through staff training and licensing programs.
Procurement	Difficulties in production of products due to unexpected natural disasters and other emergencies	Procure products from multiple suppliers except the products purchased from specific singular suppliers because of a unique production technology.
Natural disasters	Suspension of business operations or damage to facilities caused by large-scale natural disasters such as earthquakes, typhoons and floods	To minimize the damage caused by natural disasters, establish a safety confirmation system, prepare response manuals, maintain a business continuity plan, and conduct disaster response drills.
Information security	Significant problems such as personal information leaks caused by unauthorized access	Develop and operate a management system for handling personal information, including regulations such as Personal Information Protection Rules, training for executives and employees, seminars for franchisees, and measures for IT system security.

Compliance

Compliance Committee

Duskin has established Compliance Committee Rules for the purposes of maintaining a compliance framework for the Duskin Group and ensuring that compliance is an integral part of business operations. The Compliance Committee serves as an advisory body to the Board of Directors. The members of this committee are Directors, Operating Officers, Audit & Supervisory Board Members, labor union representative and attorneys who are selected by resolutions of the Board of Directors. The committee is chaired by a Director and Operating Officer who is selected by the committee members. At regularly scheduled meetings, committee members discuss ideas for improvements regarding various issues from the standpoint of compliance. In addition, the committee’s ideas and proposals are reflected in systems, rules and other aspects of compliance.

During FY2018, the committee held four meetings to discuss compliance structures, regulations, annual plans, training programs and internal reporting systems, and made reports.

Compliance training

Annual training sessions

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.

FY2018 training sessions were highlighted by a lecture by an attorney at law, Mr. Shohei Furukawa, OH-EBASHI LPC & PARTNERS. A case study training session on racial harassment was also conducted.

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 information regarding Duskin’s businesses, operations and performance 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.

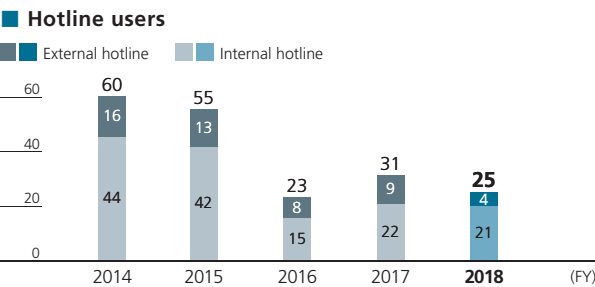
The IR Section organizes training and educational programs for Directors and employees of Duskin and its affiliated companies to help them deepen their understanding of the importance of information management and the prevention of insider trading, in accordance with the Rules on Insider Information 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.

FY2018 hotline users 25: internal 21, external 4



Sustainable Development of Society

Expansion in the Care Service Businesses and services for seniors

The demands for outsourcing household chores and home cleaning are growing in response to societal changes. Working couples have been increasing along with the advancement of women's roles in society; the number of singles has also been rising due to aging and late marriage. These demands reflect people's needs for extra support in the home, and particularly for seniors, help with tasks requiring physical strength and safety considerations. Our Care Service Businesses* have been responding to these social issues and needs. In FY2018, its promotional effort to recruit new franchisees resulted in an increase of 82 locations to achieve a total of 2,607 in all five businesses compared to the previous year.

In the senior service sector, Health Rent and Life Care provide assisted-living and health care products, and support for seniors' independent living to help seniors lead a comfortable life. Life Care provides services that are not covered by long-term care insurance to assist seniors in living and to reduce the burden of family caregivers. In FY2018, the number of Life Care locations slightly dropped from the previous year due to the impact of rebranding, while Health Rent increased by five locations to 150.

*Consist of ServiceMaster, Merry Maids, Terminix, Total Green and Home Repair. See page 37.



ServiceMaster Professional cleaning service



Health Rent Rental and sales of home health care items

Prevention of secondhand smoke

At Food Group, Mister Donut has been working on the initiative to make shops non-smoking all day or at certain times of a day, or to limit smoking to a designated section in a shop.

Under the revised Health Promotion Law that will take effect in April 2020, further preventative measures against secondhand smoke will be required. In response, Mister Donut decided to change all the shops with an isolated smoking section or a smoking section with an air purifier into completely non-smoking shops or shops with a smoking booth where neither eating nor drinking is allowed. Mister Donut is planning to complete the change by March 2020.

Mister Donut continues to focus on providing a safe and comfortable shop environment so that customers with children can drop in at ease and employees can work in good health.



Manufacturing and renting custom-made mats to prevent special frauds

Our Prevention of Special Frauds Mats help people be protected from special frauds, a nationwide problem. Cooperating with prefectural police, we enlighten and



raise the public's awareness by proposing that our Prevention of Special Frauds Mats be placed at financial institutions. This activity has been expanding throughout Japan, and as of March 2019, a total of 13,000 custom-made mats were placed in front of automated teller machines at financial institutions and convenience stores in 40 prefectures.

Our customers have voiced their enthusiastic appreciation for this program, and in particular our efforts to achieve the goal of zero victims by printing the prefectural police names and numbers on the mats. Our CSR activity in prevention of crimes with these mats was recognized and awarded in October 2016 as an Anticrime CSR Fulfilling Enterprise by the National Crime Protection CSR Promotion Committee.

Sow the Seeds of Cleanliness Classroom



In 2012, the Sow the Seeds of Cleanliness Classrooms started with the hope to help develop children's potential through supporting school education activities. These classrooms are on-site lessons targeted at elementary school children. In a 45-minute lesson, we help children learn what dust and dirt are, explain why cleaning is necessary and teach them how to use cleaning tools such as dust cloths and brooms so that the children can apply the knowledge to cleaning at school and home. This program was held at 2,704 schools nationwide for a total of 236,155 children educated as of March 2019.

Since 2008, the seminars have been held for schoolteachers who have asked for ways to improve their students' abilities during cleaning times at school. Collaborating with the teachers, we have developed programs showing how cleaning routines at school can be improved and how to instruct children on cleaning. The seminars were held at 275 school boards for a total of 7,036 teachers as of March 2019.



Supply chain continuity planning

If a supplier in the supply chain is affected by a natural disaster and suspends product supply, it can cause customers considerable inconvenience, especially in our dust control business. To prevent this, Duskin has developed a supply chain continuity plan for the key dust control products.

Continuity planning policy

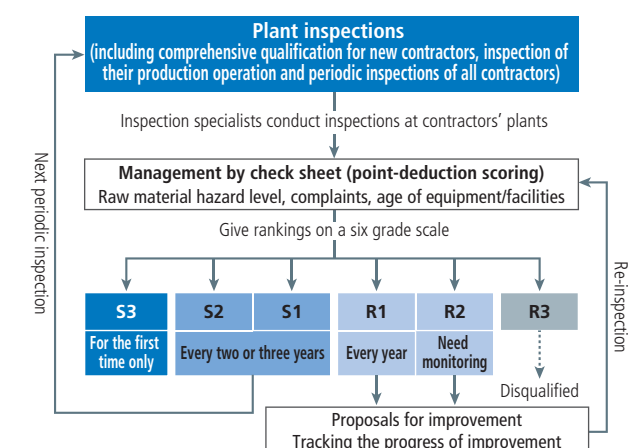
1. Purchase goods from several suppliers
2. Check if direct suppliers are implementing their continuity plans
3. Identify in advance similar products and alternatives that can serve as substitutes in an emergency
4. Secure an emergency stock

Inspections of contracted food processing plants

For the contracted food processing plants to process raw materials or products, our Quality Assurance & Risk Management team conducts several types of inspections, including comprehensive qualification for new contractors, inspection of their production operation and periodic inspections of all contractors. Our inspection specialists for food processing plants conduct extensive 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 and other evaluation items. Periodic inspections are conducted regularly (one to three years) depending on the plants' rankings.

In FY2018, 10 new contractor plants including two overseas plants were inspected, and a regular inspection was performed at 30 plants.

Food processing plant inspection process



Eco-Friendliness

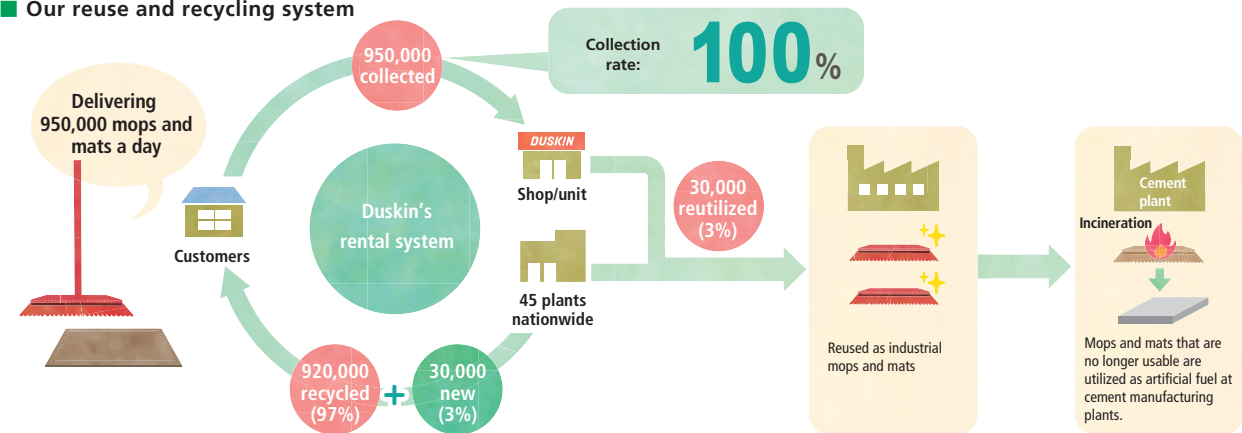


Reuse of mop and mat products at Direct Selling Group

Since our founding in 1963, Duskin has delivered rental products including mops, mats and other cleaning tools on a periodic basis. All used items are collected from customers, and 97% of the collected items are washed in the laundry plants and reused.

The remaining 3% unusable items are utilized as fuels. All products are repeatedly used until their usable life ends. Dust and dirt on mops and mats are also recycled into materials for cement.

Our reuse and recycling system



Waste reduction and recycling at Food Group

Mister Donut strives to provide a variety of donuts for customers to choose, even just before store closing time. Mister Donut therefore makes continued efforts to recycle any unsold donuts.

In the Kanto and Tokai areas, unsold donuts are reprocessed in processing plants into animal feed. In FY2019, Mister Donut plans to start recycling donuts into biogas in the Kansai area.

Mister Donut reviews production schedules and executes tight controls by using a checklist to reduce donut disposal.

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

	2016	2017	2018
Food waste (t)	6,502	5,600	5,187
Recycled (%)	36.3	40.3	42.6

(FY)

Response to climate change and reduction of energy consumption

Duskin focuses on reduction of greenhouse gas emissions across the supply chain to achieve the long-term environmental goal of a 26% decrease from FY2013 by 2030.

At Food Group, all shops and restaurants manage energy consumption through controlling air conditioner temperature and avoiding simultaneous use of equipment. Production & Logistics facilities make efficient use of energy in our business operations by introducing energy-saving equipment and improving the efficiency of machinery operation. These activities contribute to reducing CO₂ emissions that are one of the causes of global warming.

CO₂ emission (t-CO₂)

	2013	2016	2017	2018	Compared with 2013
Scope 1*	35,603	34,484	34,324	33,473	-6.0%
Scope 2*	32,474	27,655	31,092	29,856	-8.1%
Scope 3	498,991	456,019	395,197	373,619	-25.1%
Total	567,068	518,159	460,614	436,949	-22.9%

* Duskin Group and franchised plants

(FY)

Human Resource Development



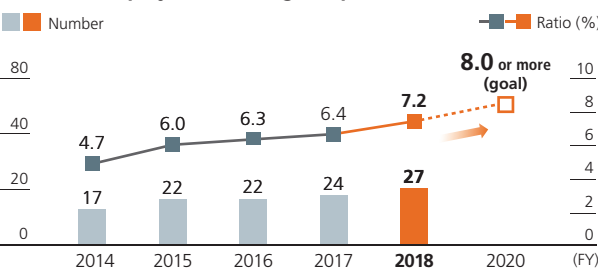
Diversity and inclusion

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

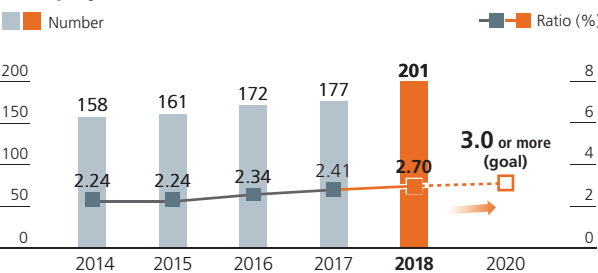
This policy is defined in the Duskin Code of Conduct. Duskin has also set goals to achieve on the ratios of female employees in managerial positions and of employees with disabilities by defining our KPIs (Key Performance Indicators). The goal of the ratio of employees with disabilities is higher than the legally required employment rate of people with disabilities (2.2%).



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



Employees with disabilities (Consolidated)



As of June 1 each year

Duskin Health-Focused Management

Duskin Declaration of Health-Focused Management

Duskin values and cares about the well-being of our employees and their families and strives to help them lead lives to their fullest potential as reflected in the philosophy of Prayerful Management. As the sound development of a company depends on happy and healthy employees, we see the well-being of our employees as a key requirement for the Duskin Group to continue to Sow the Seeds of Joy in society.

We declare our commitment to health-focused management, through which we will support the health of our employees and help them improve their own health and become more informed consumers of health services and information.

Duskin Health-Focused Management For happiness of employees

Duskin will encourage and help our employees and their families to maintain and improve their well-being to lead their lives to their fullest potential as reflected in the philosophy of Prayerful Management. We hereby declare our commitment to health-focused management, through which we will support the health of our employees and the sound development of the company to Sow the Seeds of Joy in society.

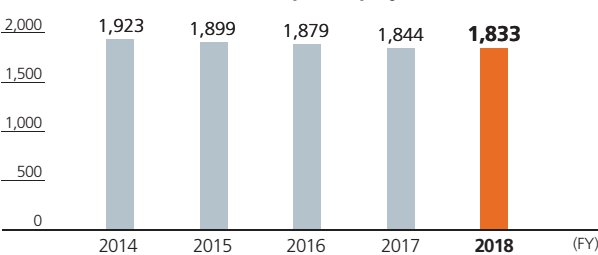
Decrease of long working hours

Duskin has been implementing a variety of measures to decrease long working hours.

Initiatives

- Report on the actual situation of long working hours to the Director in charge
- Each department facilitates reduction of long working hours
- 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 Leave the Office Early Day Campaign
- Leave an eight-hour interval before the next shift

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



As of March 31 each year

Eleven-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	2019
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	158,699
Operating profit	(millions of yen)	12,307	12,129	10,937	9,841		9,197	6,641	5,067	5,372	6,069	7,557	7,954
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	10,011
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	5,984
Comprehensive income	(millions of yen)	—	8,662	4,384	5,320		9,095	6,246	7,870	1,401	5,309	7,825	8,571
Depreciation	(millions of yen)	6,047	5,824	6,172	6,225		7,083	6,953	7,068	6,704	6,878	6,216	6,415
Capital expenditures	(millions of yen)	4,113	10,067	4,009	6,541		5,285	3,974	6,319	8,520	6,047	6,047	6,324
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	149,884
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	194,223
Interest-bearing debt	(millions of yen)	6,241	5,987	362	245		189	243	50	20	88	173	0
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	13,606
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	−12,555
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	−6,671
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	25,237
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	2,876.63
Net profit per share	(yen)	96.18	117.2	79.39	71.07		95.15	71.13	56.19	52.18	78.95	99.63	112.38
Dividend per share	(yen)	40.00	40.00	40.00	40.00		40.00	60.00	40.00	40.00	40.00	40.00	50.00
Financial indicators													
Equity ratio	(%)	73.2	73.4	74.3	75.4		75.1	74.3	77.6	75.0	74.5	75.2	77.0
Return on equity	(%)	4.6	5.4	3.6	3.1		4.1	2.9	2.3	2.0	3.0	3.7	4.0
Return on assets	(%)	3.3	4.0	2.6	2.3		3.1	2.2	1.7	1.5	2.3	2.8	3.1
Price-earnings ratio	(times)	16.30	14.19	19.42	23.26		19.74	27.82	37.02	38.75	30.75	27.07	23.45
Dividend payout ratio	(%)	41.6	34.1	50.4	56.3		42.0	84.4	71.2	76.7	50.7	40.1	44.5
Interest coverage ratio	(times)	141.3	243.8	195.7	2,221.7		3,847.9	3,790.7	5,213.5	43,306.0	15,141.2	1,759.6	4,141.8
Current ratio	(%)	155.80	161.18	161.24	173.07		170.01	157.36	199.05	198.12	179.23	204.31	186.27
Fixed assets to fixed liability ratio	(%)	88.09	84.63	86.24	85.04		85.93	89.12	80.07	80.69	82.57	78.31	81.61
Stock information*1													
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	11,352
Outstanding shares	(1,000 shares)	67,394	67,394	67,394	66,294		64,994	63,494	63,494	57,494	55,194	55,194	52,694
Treasury shares at end of period	(1,000 shares)	555	1,158	2,092	2,009		1,913	1,915	2,947	1,948	1,749	1,750	679
Purchase of treasury shares	(1,000 shares)	900	600	934	1,016		1,203	1,500	1,030	5,000	2,100	0	1,429
Cancellation of treasury shares	(1,000 shares)	0	0	0	1,100		1,300	1,500	0	6,000	2,300	0	2,500
Shareholders	(%)												
Individuals	(%)	41.8	41.3	41.5	41.3		41.5	39.8	40.0	41.1	40.2	38.7	40.2
Financial institutions	(%)	20.8	20.7	17.2	18.4		16.9	15.9	16.7	18.1	19.6	20.6	22.7
Domestic corporations	(%)	29.2	28.7	28.6	28.5		28.5	28.2	26.0	23.9	23.4	22.1	21.0
Foreign corporations	(%)	7.3	7.2	9.3	8.7		10.2	13.0	12.6	13.5	13.7	15.4	14.7
Treasury shares	(%)	0.8	1.7	3.1	3.0		2.9	3.0	4.6	3.4	3.2	3.2	1.3
Number of employees													
Full-time employees	(persons)	3,549	3,398	3,458	3,422		3,512	3,552	3,487	3,538	3,528	3,773	3,813
Non-consolidated	(persons)	1,987	2,014	2,033	2,039		1,952	1,936	1,928	1,960	1,954	1,991	2,020
Part-time employees*2	(persons)	6,626	6,403	5,931	5,890		5,751	5,867	6,041	6,128	6,219	6,029	6,086
Non-consolidated	(persons)	2,386	2,367	2,158	2,079		1,715	1,541	1,478	1,588	1,607	1,488	1,438
Units													
Total		8,722	9,114	9,217	9,304		9,912	10,087	10,425	11,067	11,693	12,359	13,675
Direct Selling Group		5,372	5,417	5,577	5,537		5,949	6,031	6,135	6,218	6,200	6,245	6,332
Food Group		1,435	1,441	1,435	1,450		1,422	1,398	1,354	1,314	1,195	1,119	1,037
Other Businesses (Overseas businesses)*3		1,915	2,256	2,205	2,317		2,541	2,658	2,936	3,535	4,298	4,995	6,306

*1 Numbers of shares less than one thousand are dropped.

*2 Annual average number of employees

*3 As at December 31 of the previous year

Financial Overview

1. Analysis of business results

Both Direct Selling Group and Food Group posted lower sales. Despite lower sales, operating profit, ordinary profit and profit attributable to owners of parent increased due to a decrease in operating expenses along with a decline in the cost of sales.

Sales

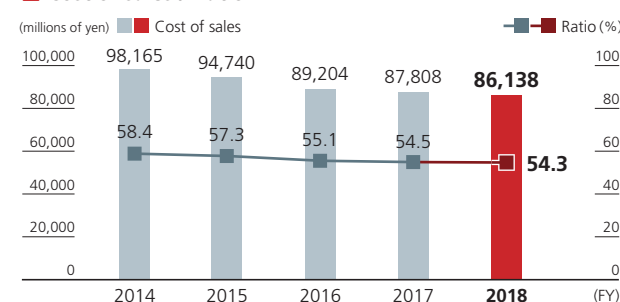
Sales of Direct Selling Group decreased because of a decline in sales of dust control products, the group's main category of sales. The professional cleaning and technical service businesses continued to perform well. The Health Rent business (rental of assisted-living and health care products), which was upgraded to a business division, posted a big increase in sales. At Food Group, Mister Donut recorded lower sales due to closures of underperforming locations. The sales were also affected by shorter operating hours and temporary closures caused by natural disasters in the first half of FY2018. The termination of the Café Du Monde business at the end of FY2017 also contributed to the sales decline. As a result, total sales of Food Group decreased substantially. In Other Businesses, sales increased because consolidated subsidiary Duskin Healthcare, which provides medical facility management services, recorded higher sales.

As a result, consolidated sales were 158,699 million yen, a 2,332 million yen (1.4%) decrease from the previous year.

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

Cost of sales decreased 1,670 million yen (1.9%) to 86,138 million yen because of an improvement in the ratio of expenses at both Direct Selling Group and Food Group. Selling, general and administrative expenses were 64,606 million yen, a 1,058 million yen (1.6%) decrease from the previous year. The main reasons were a decrease in retirement benefit expenses resulting from a change in the Duskin pension plan and lower promotional expenses because corporate advertising to raise brand awareness and increase sales was less than in FY2017.

Cost of sales / Ratio



As a result, consolidated operating profit was 7,954 million yen, a 396 million yen (5.2%) increase from the previous year.

Ordinary profit (non-operating income and expenses)

In August 2018, Duskin underwrote a third-party allocation of new shares and established a capital and business alliance with NAC Co., Ltd., the largest franchisee of Duskin. Non-operating income rose significantly due to an increase of the share of profit of entities accounted for using equity method as the income of NAC Co., Ltd., which became an equity method affiliate, was included for the first time.

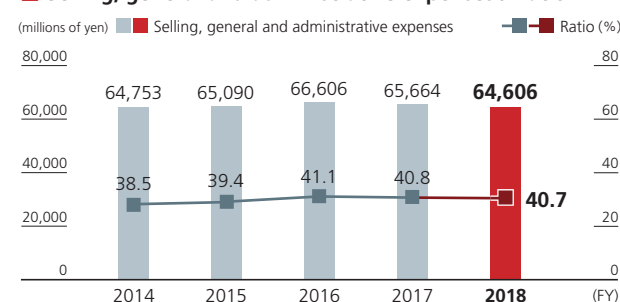
As a result, consolidated ordinary profit was 10,011 million yen, a 1,033 million yen (11.5%) increase from the previous year.

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

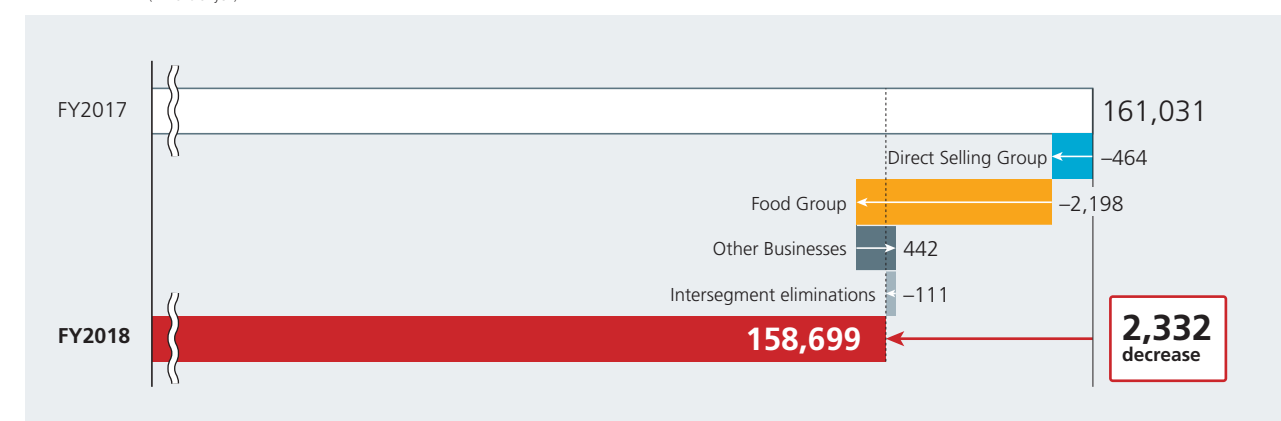
Extraordinary loss increased 474 million yen. This is mainly because of an expense of 329 million yen for the reserve for loss on liquidation of Mister Donut Shanghai Co., Ltd., which completed the closure of all its shops at the end of March 2019. Impairment loss of non-current assets increased 185 million yen. Gain on sale of securities increased 41 million yen and losses on sales of securities increased 118 million yen. In addition, there was a loss on disaster of 179 million yen and insurance claim income of 190 million yen.

As a result, profit attributable to owners of parent was 5,984 million yen, a 659 million yen (12.4%) increase from the previous year.

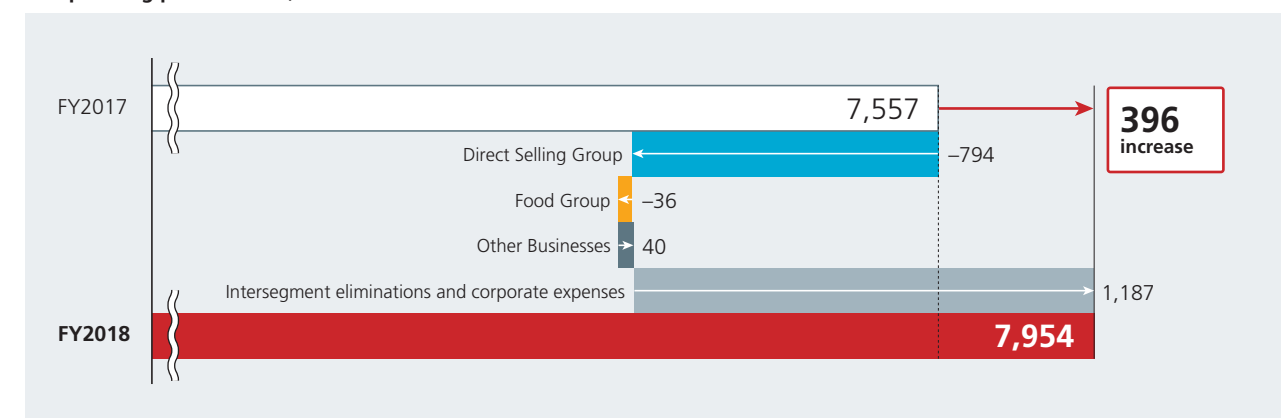
Selling, general and administrative expenses / Ratio



Net sales (millions of yen)



Operating profit (millions of yen)



2. Analysis of financial position

Assets

As of March 31, 2019, total assets were 194,223 million yen, a 1,834 million yen decrease from one year earlier.

Current assets decreased 3,663 million yen to 63,948 million yen. This is mainly attributable to decreases of 2,965 million yen in cash and deposits and 1,056 million yen in short-term marketable securities.

Non-current assets amounted to 130,275 million yen, a 1,829 million yen increase from the end of the previous fiscal year. This is primarily due to increases of 2,082 million yen in intangible assets and 1,935 million yen in investment securities and decreases of 981 million yen in deferred tax assets and 739 million yen in property, plant and equipment.

Liabilities

Liabilities totaled 44,339 million yen at the end of the fiscal year, a 3,932 million yen decrease compared to the end of the previous fiscal year.

Current liabilities increased 345 million yen to 34,330 million yen. This is mainly because of a 617 million yen increase in accounts payable-other.

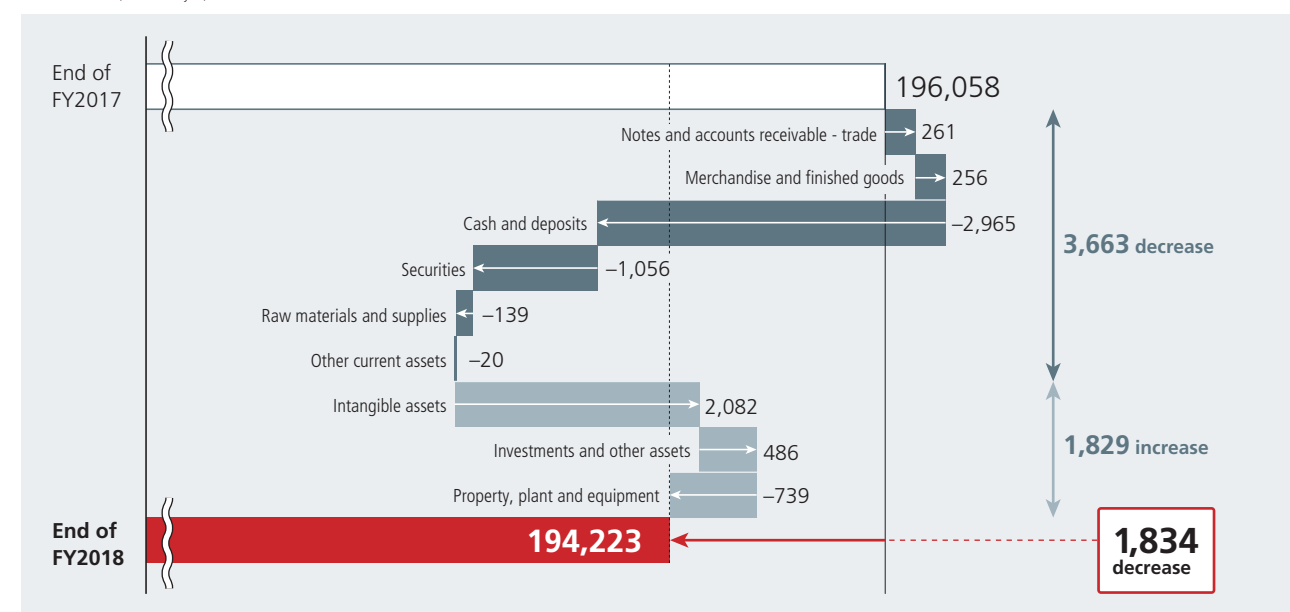
Non-current liabilities decreased 4,277 million yen to 10,009 million yen, primarily resulting from a 4,690 million yen decrease in net defined benefit liability.

Net assets

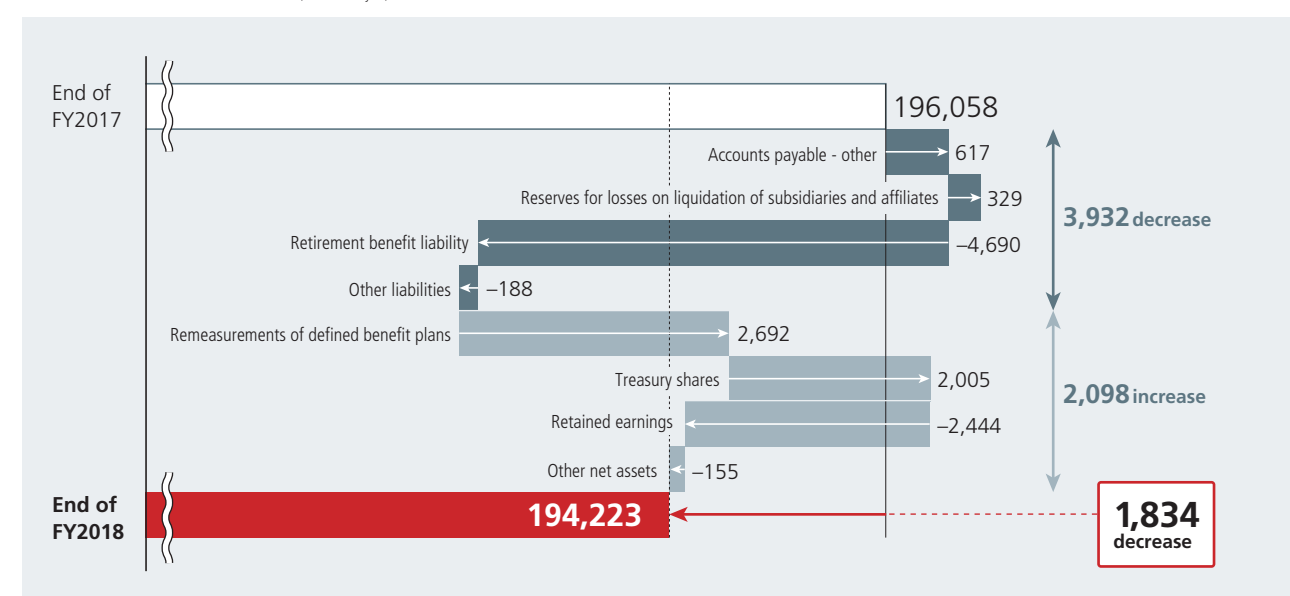
Net assets totaled 149,884 million yen at the end of the fiscal year, 2,098 million yen more than at the end of the previous fiscal year. This is mainly due to a 2,692 million yen increase in remeasurements of defined benefit plans and an increase of 2,005 million yen which is the net of

the purchase and retirement of treasury stock. On the other hand, there was a decrease of 2,444 million yen in retained earnings, which resulted from the net of profit attributable to owners of parent of 5,984 million yen, dividend payments of 2,672 million yen and a deduction of 5,757 million yen due to the retirement of treasury stock.

Assets (millions of yen)



Liabilities and net assets (millions of yen)



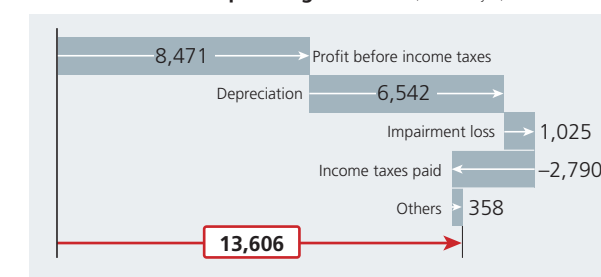
3. Analysis of cash flow

Cash and cash equivalents (Cash) at the end of the fiscal year totaled 25,237 million yen, a decrease of 5,640 million yen from 30,877 million yen at the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities increased from 13,111 million yen in the previous fiscal year to 13,606 million yen.

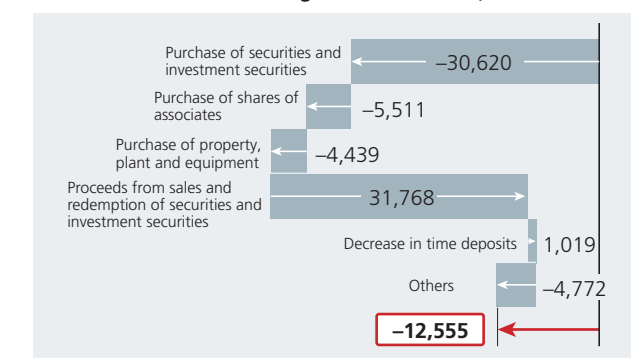
Cash flow from operating activities (millions of yen)



Cash flow from investing activities

Net cash used in investing activities increased from 7,909 million yen in the previous fiscal year to 12,555 million yen.

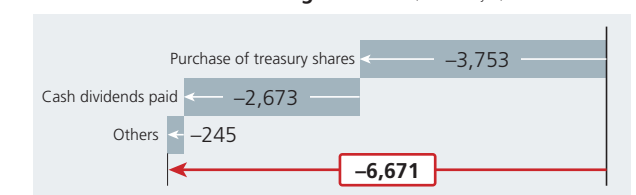
Cash flow from investing activities (millions of yen)



Cash flow from financing activities

Net cash used in financing activities increased from 2,232 million yen in the previous fiscal year to 6,671 million yen.

Cash flow from financing activities (millions of yen)



4. Capital investments

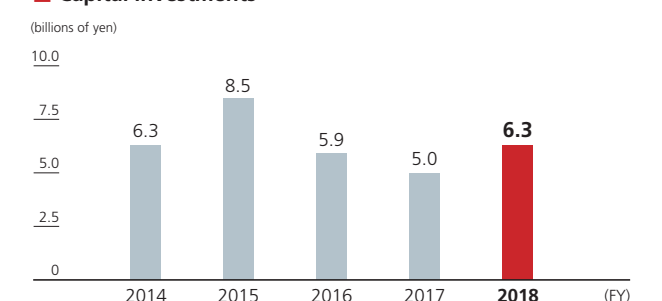
Capital investments (including intangible assets and payments of lease and guarantee deposits) totaled 6,324 million yen.

Major capital investments (millions of yen)

Group	Investments	Amount
Direct Selling	Plant renovation and addition and update of plant equipment and facilities	1,018
	Office operation system improvement	395
	Development of additional functions of the Production & Logistics system	230
Food	Update of Mister Donut shop operation system	1,185
	Renovations to new-concept shops and new openings of Mister Donut	529
Corporate	System improvement along with the upgrade of corporate servers	344
	Upgrade of Duskin Group Accounting System	296

There were no significant sales or retirements of facilities.

Capital investments



Consolidated Financial Statements

Consolidated Balance Sheets

(millions of yen)

	FY2017 As of March 31, 2018	FY2018 As of March 31, 2019
Assets		
Current assets		
Cash and deposits	18,846	15,881
Notes and accounts receivable - trade	9,950	10,211
Lease receivables and investment assets	1,326	1,196
Securities	24,461	23,404
Merchandise and finished goods	7,738	7,994
Work in process	142	193
Raw materials and supplies	1,598	1,459
Other	3,585	3,635
Allowance for doubtful accounts	- 37	- 28
Total current assets	67,611	63,948
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,486	43,062
Accumulated depreciation	- 26,490	- 27,024
Buildings and structures, net	16,996	16,038
Machinery, equipment and vehicles	24,975	25,326
Accumulated depreciation	- 18,484	- 18,620
Machinery, equipment and vehicles, net	6,491	6,706
Land	22,750	22,663
Construction in progress	178	574
Other	12,405	12,125
Accumulated depreciation	- 9,478	- 9,503
Other, net	2,927	2,621
Total property, plant and equipment	49,344	48,604
Intangible assets		
Goodwill	549	429
Other	7,925	10,127
Total intangible assets	8,474	10,556
Investments and other assets		
Investment securities	60,523	62,458
Long-term loans receivable	3	0
Deferred tax assets	3,073	2,092
Guarantee deposits	5,751	5,543
Other	1,310	1,048
Allowance for doubtful accounts	- 34	- 30
Total investments and other assets	70,627	71,114
Total non-current assets	128,446	130,275
Total assets	196,058	194,223

(millions of yen)

	FY2017 As of March 31, 2018	FY2018 As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,834	6,845
Short-term loans payable	173	—
Income taxes payable	1,403	1,308
Provision for bonuses	3,397	3,491
Asset retirement obligations	18	9
Accounts payable - other	8,112	8,730
Guarantee deposit received for rental products	9,314	9,206
Other	4,731	4,738
Total current liabilities	33,985	34,330
Non-current liabilities		
Net defined benefit liability	12,882	8,191
Asset retirement obligations	578	585
Long-term guarantee deposited	788	786
Long-term accounts payable - other	18	26
Deferred tax liabilities	—	75
Reserves for losses on liquidation of subsidiaries and affiliates	—	329
Other	18	14
Total non-current liabilities	14,286	10,009
Total liabilities	48,271	44,339
Net assets		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	11,087	11,091
Retained earnings	120,519	118,075
Treasury shares	- 3,571	- 1,565
Total shareholders' equity	139,388	138,954
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,878	9,920
Deferred gains or losses on hedges	1	- 1
Foreign currency translation adjustment	- 54	- 139
Remeasurements of defined benefit plans	- 1,798	894
Total accumulated other comprehensive income	8,026	10,673
Share acquisition rights	9	18
Non-controlling interests	361	237
Total net assets	147,786	149,884
Total liabilities and net assets	196,058	194,223

Consolidated Statements of Income

(millions of yen)

	FY2017 April 1, 2017 - March 31, 2018	FY2018 April 1, 2018 - March 31, 2019
Net sales	161,031	158,699
Cost of sales	87,808	86,138
Gross profit	73,222	72,560
Selling, general and administrative expenses	65,664	64,606
Operating profit	7,557	7,954
Non-operating income		
Interest income	345	261
Dividend income	346	369
Rent income on facilities	152	162
Commission fee	174	186
Share of profit of entities accounted for using equity method	220	683
Miscellaneous income	508	709
Total non-operating income	1,747	2,373
Non-operating expenses		
Interest expenses	7	3
Rent expenses on facilities	57	79
Cancellation penalty	35	48
Compensation expenses	42	47
Subsidies return loss	45	—
Miscellaneous loss	137	137
Total non-operating expenses	326	316
Ordinary profit	8,978	10,011
Extraordinary income		
Gain on sales of non-current assets	133	164
Gain on sales of investment securities	24	66
Insurance claim income	—	190
Other	5	9
Total extraordinary income	163	431
Extraordinary losses		
Loss on sales of non-current assets	93	34
Loss on abandonment of non-current assets	173	183
Impairment loss	840	1,025
Loss on disaster	0	179
Provision of reserves for losses on liquidation of subsidiaries and affiliates	—	329
Loss on sales of investment securities	93	211
Other	27	7
Total extraordinary losses	1,228	1,971
Profit before income taxes	7,913	8,471
Income taxes - current	2,821	2,701
Income taxes - deferred	— 228	— 156
Total income taxes	2,593	2,545
Profit	5,320	5,926
Loss attributable to non-controlling interests	— 4	— 58
Profit attributable to owners of parent	5,324	5,984

Consolidated Statements of Comprehensive Income

(millions of yen)

	FY2017 April 1, 2017 - March 31, 2018	FY2018 April 1, 2018 - March 31, 2019
Profit	5,320	5,926
Other comprehensive income		
Valuation difference on available-for-sale securities	2,123	48
Deferred gains or losses on hedges	1	— 1
Foreign currency translation adjustment	9	— 26
Remeasurements of defined benefit plans, net of tax	305	2,679
Share of other comprehensive income of entities accounted for using equity method	65	— 54
Total other comprehensive income	2,505	2,645
Comprehensive income	7,825	8,571
Comprehensive income attributable to owners of parent	7,829	8,631
Comprehensive income attributable to non-controlling interests	— 3	— 60

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
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
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 Changes in Equity

(millions of yen)

FY2018 April 1, 2018 - March 31, 2019					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,352	11,087	120,519	- 3,571	139,388
Changes of items during the period					
Dividends of surplus			- 2,672		- 2,672
Profit attributable to owners of parent			5,984		5,984
Purchase of treasury shares				- 3,754	- 3,754
Retirement of treasury shares		- 0	- 5,756	5,757	—
Disposal of treasury shares		0		2	3
Changes in ownership interest of parent due to transactions with non-controlling interests		4			4
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	4	- 2,444	2,005	- 434
Balance at end of current period	11,352	11,091	118,075	- 1,565	138,954

	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	9,878	1	- 54	- 1,798	8,026	9	361	147,786
Changes of items during the period								
Dividends of surplus								- 2,672
Profit attributable to owners of parent								5,984
Purchase of treasury shares								- 3,754
Retirement of treasury shares								—
Disposal of treasury shares								3
Changes in ownership interest of parent due to transactions with non-controlling interests								4
Net changes of items other than shareholders' equity	41	- 2	- 84	2,692	2,647	9	- 124	2,532
Total changes of items during the period	41	- 2	- 84	2,692	2,647	9	- 124	2,098
Balance at end of current period	9,920	- 1	- 139	894	10,673	18	237	149,884

Consolidated Statements of Cash Flows

(millions of yen)

	FY2017 April 1, 2017 - March 31, 2018	FY2018 April 1, 2018 - March 31, 2019
Cash flows from operating activities		
Profit before income taxes	7,913	8,471
Depreciation	6,339	6,542
Amortization of goodwill	190	189
Increase (decrease) in allowance for doubtful accounts	12	- 0
Bad debts expenses	3	5
Interest and dividend income	- 691	- 631
Interest expenses	7	3
Foreign exchange losses (gains)	25	2
Share of (profit) loss of entities accounted for using equity method	- 220	- 683
Loss (gain) on sales of property, plant and equipment	- 39	- 130
Loss on retirement of property, plant and equipment	117	182
Loss (gain) on sales and redemption of investment securities	69	145
Insurance claim income	—	- 190
Impairment loss	840	1,025
Loss on disaster	0	179
Decrease (increase) in notes and accounts receivable - trade	- 54	- 283
Decrease (increase) in inventories	- 370	- 175
Increase (decrease) in notes and accounts payable - trade	- 4	19
Increase (decrease) in provision for bonuses	141	93
Increase (decrease) in net defined benefit liability	1,422	- 824
Increase (decrease) in reserves for losses on liquidation of subsidiaries and affiliates	—	329
Increase (decrease) in accrued consumption taxes	- 302	- 49
Decrease (increase) in lease investment assets	113	86
Decrease (increase) in other assets	- 491	467
Increase (decrease) in other liabilities	852	537
Subtotal	15,873	15,311
Interest and dividend income received	926	996
Interest expenses paid	- 7	- 3
Proceeds from insurance income	—	190
Payments for loss on disaster	- 0	- 97
Income taxes paid	- 3,680	- 2,790
Net cash provided by (used in) operating activities	13,111	13,606
Cash flows from investing activities		
Decrease (increase) in time deposits	- 505	1,019
Purchase of securities	- 21,900	- 25,105
Proceeds from sales and redemption of securities	22,771	20,928
Purchase of property, plant and equipment	- 4,181	- 4,439
Proceeds from sales of property, plant and equipment	1,158	363
Purchase of investment securities	- 11,944	- 5,514
Proceeds from sales and redemption of investment securities	9,891	10,840
Purchase of shares of associates	—	- 5,511
Payments of loans receivable	- 3	- 9
Collection of loans receivable	5	11
Payments for lease and guarantee deposits	- 321	- 150
Proceeds from collection of lease and guarantee deposits	709	205
Payments for transfer of business	- 47	- 105
Other payments	- 3,555	- 5,142
Other proceeds	14	55
Net cash provided by (used in) investing activities	- 7,909	- 12,555
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	91	- 161
Repayments of long-term loans payable	- 10	—
Purchase of treasury shares	- 2	- 3,753
Decrease (increase) in deposits for purchase of treasury shares	—	- 24
Cash dividends paid	- 2,136	- 2,673
Dividends paid to non-controlling interests	- 1	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	- 164	- 59
Payments from purchase of investments in capital of subsidiaries that do not result in change in scope of consolidation	- 9	—
Other proceeds	—	0
Net cash provided by (used in) financing activities	- 2,232	- 6,671
Effect of exchange rate change on cash and cash equivalents	6	- 19
Net increase (decrease) in cash and cash equivalents	2,975	- 5,640
Cash and cash equivalents at beginning of period	27,902	30,877
Cash and cash equivalents at end of period	30,877	25,237

Glossary

B

Business Development Manager/ Area Manager
This position is a Duskin employee who supports operations and management for franchisees. These managers are responsible for helping franchisees’ business development as well as identifying their business challenges and giving advice.

C

Contact Center
Duskin Contact Center was renamed in 2018 from Duskin Call Center with an aim to serve as a comprehensive customer contact point. In addition to the toll-free call center (0120-100-100) function, our Contact Center operates and manages other communication channels, including emails and chats, to enhance customer satisfaction.

Customer-level sales
Customer-level sales is the total of domestic and overseas sales at company-owned and subsidiary units and the estimated sales at franchised units. It is a barometer for the amount of joyful transactions generated with our customers.

D

Daily Life Fine-Tuning Services
Direct Selling Group introduced this new concept to explain the value of our services. With a singular phrase, Fine-Tune Everyday Life, customers can understand how Duskin helps them achieve more harmony and balance in their lives by addressing their needs at home and work.

DDuet
Serving as a contact point for customers, DDuet is Duskin’s membership website for those who are not covered by our direct selling channel. This website communicates our sales campaign, receives order placements and provides useful information to help make household chores easier.

Duskin Family
Duskin Family is a term for our entire group of companies united by Duskin’s management philosophy and sharing a common destiny. It includes Duskin Co., Ltd., consolidated subsidiaries, affiliated companies accounted for by equity methods and franchisees (shops, offices and plants).

Duskin - origin of our company name
Duskin is a word combining DUS from the English word dust and the KIN from Japanese word meaning rag or *zokin*.

Duskin School
This is our comprehensive training center for all Duskin brands, supporting development of our

people with experienced instructors and wide-reaching training programs.

Dust control products
These are cleaning products treated with our adsorbent that captures dust without the use of water. This technology is applied mainly in the production of our mops and mats.

F

Four-leaf clover company badge
The design of Duskin’s company badge consists of a capital D for Duskin and a four-leaf clover. The four-leaf clover, which typically symbolizes good luck, was included with the hope that our employees find the ability to live a happy life based on work, family, hobbies and faith.

Franchise system
This is the business model Duskin pioneered in Japan. When starting up, a franchisee is provided with a franchise package, including manuals, business know-how, management support and training to operate the business. This system enables all franchisees to provide the same high-quality service and be recognized as a singular unique brand.

Franchisee Council
This is a voluntary association organized based on the idea that franchisor and franchisees are partners, sharing a common destiny. The goal of this council is to help the head office and franchisees to work together, encourage one another and grow together.

Franchisor/franchisee
Duskin head office (franchisor) and its franchisees nationwide are not simply connected by a franchise agreement and consistent operational systems, but are united by the same management philosophy. Sharing a common destiny under the slogan of Sowing the Seeds of Joy, the Duskin franchise network is united and grows together.

H

Hataraki-san (employees)
At Duskin, all employees, from the president to non-management level employees, should be equally regarded and respected. They are called Hataraki-san, which means the people who make things easy for people around them.

Hygiene Master
These are specialists with expertise in sanitary management. Our specially trained Hygiene Masters provide customers with comprehensive solutions for sanitation.

M

Mister Donut College
This is a training facility established in 1971 right

after the first Mister Donut shop opened, on the site of one of Duskin’s first buildings. This facility is fully equipped and staffed for trainees to acquire their licenses.

Mister Donut Founding Day
January 27, 1970, was the day when our founder Seiichi Suzuki decided to start the Mister Donut business. Accordingly, Mister Donut declared January 27 to be Mister Donut Founding Day. Each year on this day, shop crews voluntarily clean their communities. Our shops across the nation donate a part of the sales to the Duskin AINOWA Foundation to help people with disabilities achieve independent living and total participation in society.

P

Prayerful Management
This is Duskin’s Management Philosophy. To live this philosophy, we pray that each one of us takes “Each day as a chance to begin our life anew to Sow the Seeds of Joy to people around us while making us spiritually ready for possible losses.” This philosophy declares that Duskin places the greatest importance on humanity in this world driven by economic pragmatism where human needs tend to be less focused on.

Production and Logistics/ franchised plant
These are Duskin’s plants where used and collected dust control products are washed, treated and processed. Products are also distributed from these locations. Franchised, company-owned and affiliated plants total 45 nationwide.

R

Royalty
This is a fee paid by franchisees for the right to use the franchisor’s trademarks and know-how. The royalty fee structure at Duskin is a percentage of sales.

S

Sales representatives/Concierges
Duskin’s sales representatives, totaling 63,000 nationwide, deliver rental products to residential customers. With our long-term strategy, ONE DUSKIN, our sales representatives are serving as Concierges who proactively provide services tailored to our customers’ needs.

Specified Commercial Transactions Act
This law is to prevent business operators’ illegal, or malicious solicitation while protecting consumer rights. For direct selling business operators, it is prohibited to continue to solicit consumers once they decline the offer.

Third-Party Opinion



Megumu Murakami
Senior Manager
Center for the Strategy of Emergence
The Japan Research Institute, Limited

Profile
Graduated from Faculty of Law, Kyoto University. Joined the Japan Research Institute in 2003 after a career in banking. Ms. Murakami became a member of the Center for the Strategy of Emergence in 2010, taking on the responsibilities of researching corporations and their use of ESG factors and SDGs.

I have reviewed Duskin Corporate Report 2019 with an understanding that Duskin intends to report its financial and non-financial information including business activities and long-term strategies in an integrated manner for institutional investors as its main readers.

When reading Duskin’s corporate information, many readers will be attracted to the expression of Sowing the Seeds of Joy in its management philosophy. Then, the readers will be interested in how the management philosophy is connected in making the business profitable. Pages 19 and 20 illustrate that the three non-financial factors: sustainable franchise system, framework to ensure safety and reliability, and most trusted people in the community, are the source of Duskin’s value creation. Each factor is concisely explained, which I find easy to understand. Among explanations of these pages, especially notable is the thick arrow between Duskin and franchisees indicated with “agreeing with our management philosophy” and the initiatives for human development, including the one by the Founder.

If financial and non-financial values created by these activities were highlighted, following these explanations, this could be a more integrated report.

I also find that special attention is paid to the readability of this report and making it easy to understand for the investors who are also reading various other companies’ reports. The sections reporting the corporate governance included the interview with an Outside Director, information on 10 important meetings such as the Board of Directors’ and Budget Meetings with the number of meetings, their members, and functions. This helps readers to deepen their understanding of Duskin.

From the perspective of an “integrated” report, there is room for improvement in the statement on Duskin’s activities in Asia. I recommend that Duskin describe in greater details their efforts for environmental management and labor-related issues in their business operations in Asian countries to respond to the expectations of readers who want a more complete picture of Duskin.

From the perspective of long-term strategy, the policies in five focused CSV areas on page 23 show how Duskin is strengthening the three non-financial factors, which are the source of value creation. The policies on this page describe initiatives, looking towards the future environment and social and local changes. However, the levels of initiatives and KPIs are not consistent, which could end up giving the impression that these are only superficially organized. It is advisable to clearly state how each goal within the initiatives relates to the company-wide goals as it helps readers better understand the initiatives. It would also help Duskin to develop plans for next year and future initiatives.

I hope this substantial report will be a good source of information for Duskin’s stakeholders to deepen their understanding of Duskin and build good relationships with you.

In response to this third-party opinion

We would like to express our sincere appreciation to Ms. Murakami for providing valuable opinions and comments on our report on Duskin Group’s activities.

For the Duskin Corporate Report 2019, we focused our efforts on helping readers better understand the whole picture of Duskin’s long-term value creation, growth strategies, ESG and SDGs initiatives. Our CSV initiatives to solve social issues through our business activities are stated in our three focused areas, sustainable development of society, eco-friendliness and human resource development.

We appreciate the favorable evaluation of our policies and initiatives. With this encouragement, we will continue to further enhance our activities in our franchise network. With regard to her recommendations for areas for future improvement, we appreciate her precisely pointing out our challenges and will work on enhancing the contents with more specific initiatives and indicators to report in a more integrated manner.

We will continue our efforts to respond to the expectations and trust of our stakeholders by implementing initiatives that will lead to the further improvement of our corporate value and the realization of a sustainable society.

Hiroyuki Okubo
Operating Officer, CSR Committee Secretary

Corporate Information

Corporate Information (as of March 31, 2019)

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
Number of Employees	2,020 (non-consolidated) 3,813 (consolidated)

Subsidiaries & Affiliates (as of March 31, 2019)

Direct Selling Group Food Group Other/Overseas

Consolidated subsidiaries Japan

- Duskin Serve Hokkaido Co., Ltd.
 - Duskin Serve Tohoku Co., Ltd.
 - Duskin Serve Kita Kanto Co., Ltd.
 - Duskin Serve Tokai Hokuriku Co., Ltd.
 - Duskin Serve Kinki Co., Ltd.
 - Duskin Serve Chugoku Shikoku Co., Ltd.
 - Duskin Serve Kyushu Co., Ltd.
 - Duskin New Idol Co., Ltd.
 - Duskin Ina Co., Ltd.
 - Duskin Echizen 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.
 - Katsu & Katsu Co., Ltd.
 - Ever Fresh Hakodate Co., Ltd.
 - Hachiya Dairy Products Co., Ltd.
 - Duskin Healthcare Co., Ltd.
 - Duskin Kyoeki Co., Ltd.

Overseas

- Duskin Hong Kong Co., Ltd.
- Duskin Shanghai Co., Ltd.
- Mister Donut Shanghai Co., Ltd.
- Big Apple Worldwide Holdings Sdn. Bhd.

Equity method affiliates Japan

- NAC Co., Ltd.

Overseas

- Duskin Serve Taiwan Co., Ltd.
- PULMUONE DUSKIN CO., LTD.
- Mister Donut Taiwan Co., Ltd.

History

- 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.

Sept. 1967 Opened Mop Sewing Plant. (now operated by Wakura Duskin Co., Ltd.)

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)

Jan. 1978 Opened Mat Manufacturing Plant. (now operated by Ono Duskin Co., Ltd.)

Oct. Started total rental business renting daily commodities. (now called Rent-All)

Dec. 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.

Sept. Established Ever Fresh Hakodate Co., Ltd.

Oct. 1993 Started new franchise system, Duskin Serve 100 organization.

Dec. 1994 Started dust control business in Taiwan.

Feb. 1999 Started Katsu & Katsu business.

Apr. Started Catering business. (now called Drink Service)

Nov. Started TruGreen business. (rebranded as Total Green)

June 2000 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.

Sept. Entered into comprehensive capital and business alliance with Mitsui & Co., Ltd.

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.

Jan. 2016 Established MD Food Tohoku Co., Ltd.

Apr. Started Home Repair business.

Feb. 2017 Acquired Big Apple Worldwide Holdings Sdn. Bhd. as a subsidiary.

Sept. 2018 Entered into capital and business alliance with NAC Co., Ltd.

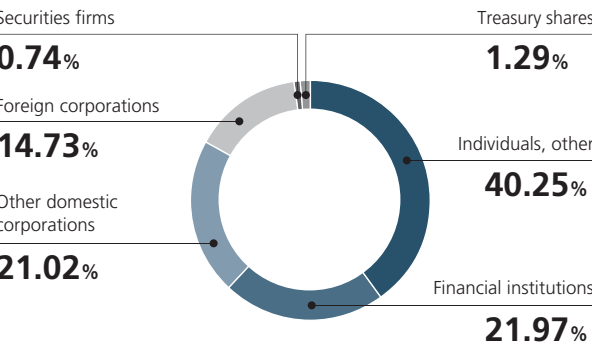
Jan. 2019 Established Katsu & Katsu Co., Ltd.

Stock Information

Stock Summary (as of March 31, 2019)

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	52,694,823 shares
Shareholders	39,841
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)	2,641	5.07
Nippon Flour Mills Co., Ltd.	1,800	3.46
Japan Trustee Services Bank, Ltd. (Trust Account)	1,757	3.37
Duskin Employee Stock Ownership Plan	1,693	3.25
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,436	2.76
Hirokata Ogasawara	1,415	2.72
Duskin Franchisee Stock Ownership Plan	1,039	1.99
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,007	1.93
Sumitomo Mitsui Banking Corporation	840	1.61
MOS FOOD SERVICES Inc.	760	1.46

Note: Treasury shares are not included in the ownership ratio.

Accomplishments Acknowledged by Society

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

The MSCI Japan ESG Select Leaders Index

Duskin has been included in the MSCI Japan ESG Select Leaders Index with its highest rating, AAA, for the second consecutive year. The MSCI Japan ESG Select Leaders Index developed by MSCI (U.S.) is composed of companies with high ESG performance selected from the MSCI Japan IMI Top 700 Index.



JPX Group S&P/JPX Carbon Efficient Index

Duskin has been included in the S&P/JPX Carbon Efficient Index, a stock index for ESG investing, selected by the Government Pension Investment Fund (GPIF).

Sompo Japan Nipponkoa Asset Management Co., Ltd. (SNAM) SNAM Sustainability Index

Duskin has been selected as one of the 300 members of the SNAM Sustainability Index, an investment index created by the Sompo Japan Nipponkoa Asset Management. The index is used among the socially responsible investment funds for pension trusts and institutional investors who invest in a wide range of companies rated highly for their environmental, social and governance (ESG) performance.



SUSTAINA ESG AWARDS 2018

SUSTAINA ESG AWARDS, based on its assessment of ESG performance combined with financial evaluation, recognizes the top 100 ranked companies as leading companies in ESG Management. Duskin received awards of Bronze Class in the Overall Category and Silver Class in Industries.



Certified as White 500, Health and Productivity Management Organization 2019 by METI*, under the large enterprise category

White 500 is a program that recognizes outstanding enterprises engaged in efforts for health and productivity management. Duskin received this certification for the third consecutive year. In 2019, Duskin's 14 organizations (including 13 companies and one public corporation) are now certified.

* The Ministry of Economy, Trade and Industry

