

**DUSKIN**  
喜びのタネをまこう



**Duskin Co., Ltd.**

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[www.duskin.co.jp](http://www.duskin.co.jp)



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

# Corporate Report 2020

# Management Philosophy

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

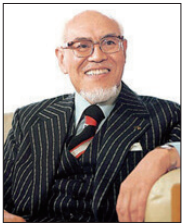
## Management Philosophy

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

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

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

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



### Duskin Founder Seichi Suzuki

Seichi Suzuki was born in Hekinan City, Aichi Prefecture in 1911. He suffered from pleurisy after starting work. He joined the Konko Church after being cured, sustained by the great love of his foster mother. 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 founded Duskin in 1963. Suzuki then established a groundbreaking distribution channel while expanding the cleaning tools rental business nationwide through a franchise system. He started diversified business development including Mister Donut in 1971. With his leadership Duskin Group paved a new path to a multi-franchise business enterprise. Seichi Suzuki died in 1980 at the age of 68.

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## 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 Japan’s Ministry of Economy, Trade and Industry; and the GRI Standards by GRI.

### Period Covered

The period covered for this report is from April 1, 2019 to March 31, 2020. However, reports of FY2018 and before, and some activities from FY2020, 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 October 2020; the next issue is scheduled for August 2021.

### Forward-looking Statement

This report contains information on Duskin’s ongoing business plans and 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

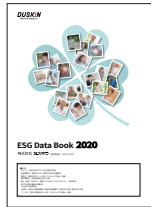
If the content of the report requires any revision, we will post revised data on our website at <https://www.duskin.co.jp/corp/> (Japanese version only).

## Format and Purpose of Report Media



### Duskin Corporate Report 2020

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 2020 (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 2020

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 and ESG website (Japanese version only)

Under the five focused themes of CSR and ESG 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.



## Economy and Morals in Unity –History of Shared Values–

# Prayerful Management to Respond to the Needs of the Era

Seiichi Suzuki founded Duskin in 1963 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.

1964

### Debut of the innovative Home Duskin product throughout Japan

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.



1969

### Granted full membership in International Franchise Association (IFA), the first time for a Japanese company



### Sales and net profit per share

(millions of yen)

250,000

200,000

150,000

100,000

50,000

0

1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993

1960s Increased awareness of sanitary needs

1970s Westernization of the Japanese diet

1980s Shift to a service economy

1990s

Rapid economic growth in Asian countries

2000s Shift to an aging society

2010s Accelerated social advancement for women

2020s

1970

### Mister Donut business launched

The business started as a first food franchise chain in Japan to provide people with joyful occasions for eating delicious donuts.



1971–1978

### Business diversification starts

Starting with ServiceMaster professional cleaning service in 1971, Duskin launched Terminix pest control and environmental hygiene management service in 1977 and the total rental business, which rents daily commodities (now called Rent-All) in 1978.



1982–1989

### Businesses developed with a focus on creating society of wealth and comfort.

Launched businesses to help people enjoy clean and comfortable home and working environments such as management services for medical facilities (current Duskin Healthcare Co., Ltd.) in 1982 and Merry Maids home cleaning and helper service in 1989.



1994

### Dust Control Business first enters an overseas market

Launched the first overseas business for dust control in Taiwan, and then entered China (Shanghai), which was enjoying strong economic growth at the time, in 2006. As of December 2019, the company was developing the home and office markets, with 24 locations in two regions.



1999

### Opened Katsu & Katsu, a pork cutlet restaurant



2000–2004

### 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.



2004

### Accelerated overseas development in the Mister Donut business

As of December 2019, there were 7,215 Mister Donut locations in four regions: Taiwan, Thailand, the Philippines, and Indonesia. Our tasty donuts are gaining popularity even abroad.



2010

### MOSDO, a collaborative effort between MOS BURGER and Mister Donut, opened.



2013

### Bakery Factory, a suburban bakery business, opened.



2014–2016

### 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.



2015

### Opened Pie Face, a pie specialty store that originated in Australia



2017

### Mister Donut launched its MISDO GOHAN menu



### Launched MISDO Meets for the joint development by Mister Donut and other companies.

misdo



2019

### Established Duskin Laboratory for the co-creation of new value



● Net profit per share  
■ Sales

(yen)

150

120

90

60

30

0

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

Long-term strategy **ONE DUSKIN**  
Phase I (FY2016–FY2018)  
Phase II (FY2019–FY2021)  
Phase III (FY2022–FY2024)



## Long-Term Vision and CSV Management

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

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

### Long-Term Strategy

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

#### 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.

**Duskin's CSV**  
Creating Shared Value  
Contribute to society by solving social issues

### Sustainable Development of Society

Co-creation of Value in the Franchise Chain

Building Responsible Supply Chain Management

### Eco-Friendliness

Contributing to the Creation of a Recycling-Oriented Society

Addressing Climate Change

### Human Resource Development

Creating a Diverse and Inclusive Workforce

Ensure stability in the supply of products and services

Contribute to economic development by helping workers live fulfilling lives

Curb the use of disposable plastic that causes marine pollution

Support seniors living at home and alleviate the burden of family caregivers

Increase diversity of the workplace by including more people of different backgrounds to create greater opportunities for all

Contribute to a recycling-oriented society by providing rental items that are continuously in use

Increase the recycling of and reduce food waste

Ease the burden of household chores and home cleaning

Contribute to building a community comfortable to live

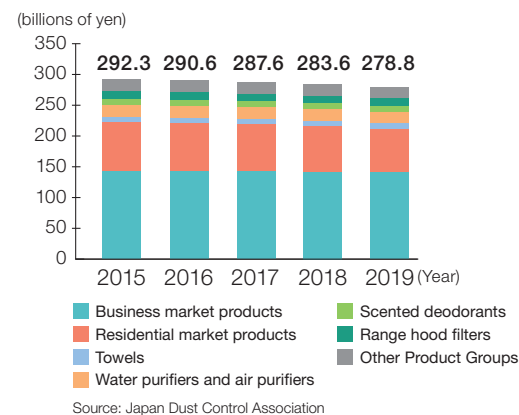


## Market Analysis

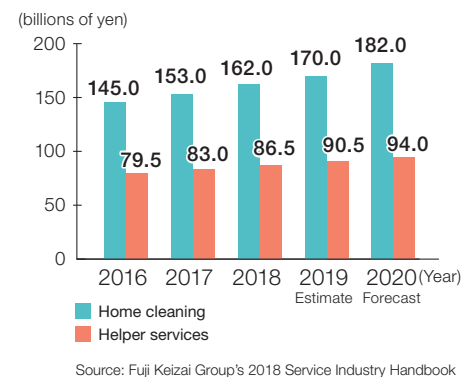
While the dust control market continues to shrink, Duskin maintains an overwhelming lead in market share in the residential market, which accounts for a large portion of the overall market. The markets for the Care Services Businesses and the Senior Care Businesses are expanding alongside demographic and lifestyle shifts in the country. In the restaurant market, fast food demand, despite a temporary contraction, has continued to expand since 2016.

### Direct Selling Group

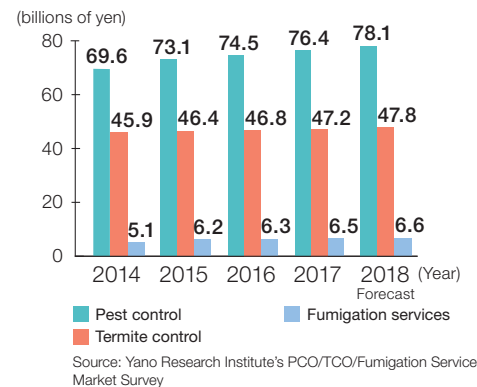
#### The Dust Control Market



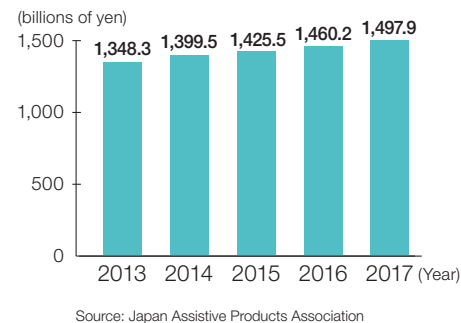
#### Home cleaning and helper service market (Care Service Businesses)



#### Pest control, termite control, and fumigation service market (Care Service Businesses)

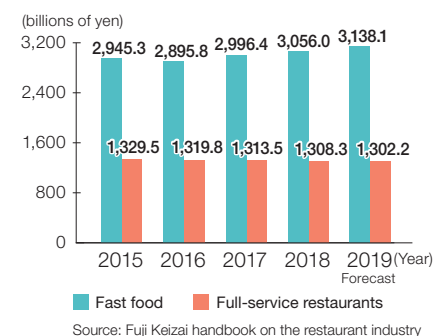


#### Assisted living equipment market (Senior Care Businesses)

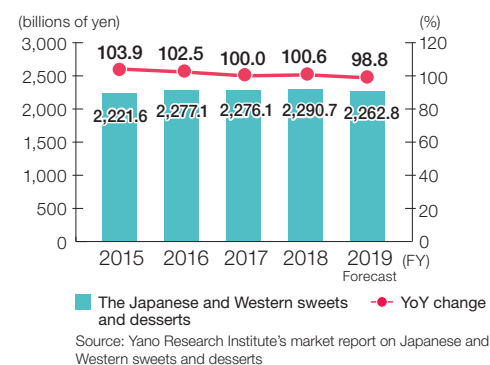


### Food Group

#### Restaurant Market

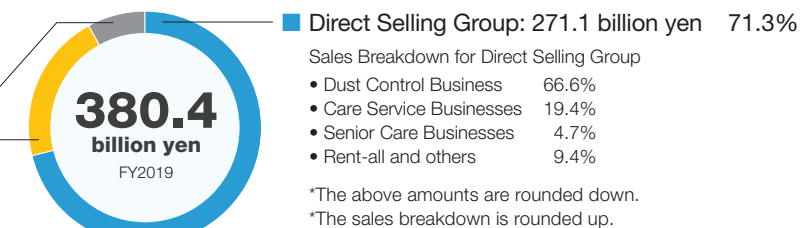
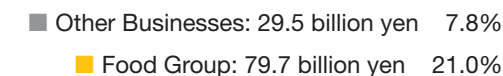


#### Japanese and Western sweets and desserts market



## Business Outline

### Customer-level sales



### Direct Selling Group » P.32-

#### Dust Control Business » P.34-

##### An overwhelming share in the dust control market

Duskin's Dust Control Business is backed by outstanding name recognition, a strong customer base, and franchise operations. The company is strengthening its competitiveness by providing high-quality products and community-based services.

##### Strengths

- A customer base of about 4.7 million households and 1.20 million business establishments
- A product delivery system and community-based franchise network that supports the customer base

##### Opportunities

- The COVID-19 pandemic is increasing awareness of the need for more rigorous cleaning and sanitation.
- As a result of revisions to the Food Sanitation Act, sanitary control in the food processing, distribution, and restaurant industries must meet HACCP standards.
- The rise of the sharing economy has resulted in values shifting from an emphasis on owning to an emphasis on sharing.

##### Weaknesses

- Strong reliance on conventional products such as mops leads to delays in the development of highly functional products.
- Reduced price competitiveness due to the spread of lower prices for cleaning and sanitation products

##### Threats

- Less people staying at home and less opportunities to meet with customers due to changes in laws and regulations
- Decline of small businesses and the rise of national chains covering wide areas and needing to respond to headquarter directives



### Care Service Businesses, Senior Care Businesses » P.36-

##### Accelerating growth through synergies with the Dust Control Business

The market is expanding due to changes in demographics and lifestyles. Although there are concerns over intensifying competition owing to the emergence of new entrants from other industries, we anticipate that our customer base for dust control products will increase opportunities to cross-sell cleaning, technical or senior care services to existing customers.

##### Strengths

- Developing businesses that yield synergistic effects through cross-selling to the customer base of the Dust Control Business
- Safety and reliability of our proven brands

##### Opportunities

- Work-style reforms and the increase in the number of working families bolstering demand for cleaning and helper services
- Low birthrates and the aging of society contributing to an increased need for outsourced elderly care services
- Expansion in assisted-living market due to the growing need for home-based care and preventative care

##### Weaknesses

- Capabilities to respond to diversifying customer needs
- Service staff shortages at franchise offices

##### Threats

- Increased competition due to the emergence of smaller companies and new entries from other industries
- Supply and demand imbalances due to seasonal fluctuations
- Shifts in demand due to revisions in the long-term public nursing care insurance system



### Food Group » P.38-

##### Taking on new challenges as No. 1 donut brand

As Mister Donut marks its 50th anniversary, we are thankful to our customers for supporting Mister Donut as No. 1 donut brand in Japan. We strive everyday to not only improve the quality of our products and services, but to create new value by leveraging the strength of more than 900 franchise shops and joint development with companies and brands with the highest material and technological standards.

##### Strengths

- Strong support from customers as No. 1 donut brand in Japan marking its 50th anniversary
- Response to take-out demand
- Direct contact with customers through a franchise base of more than 900 shops
- Joint development with other brands to offer "something good" for our customers to enjoy; a strong reputation for our ability to develop and market products that people love

##### Opportunities

- Changing lifestyles present new service business opportunities
- Acquiring new customers through collaboration with other companies and MISDO Meets

##### Weaknesses

- Slow response to market changes brought on by the effects from COVID-19
- Delays in the development of new food businesses

##### Threats

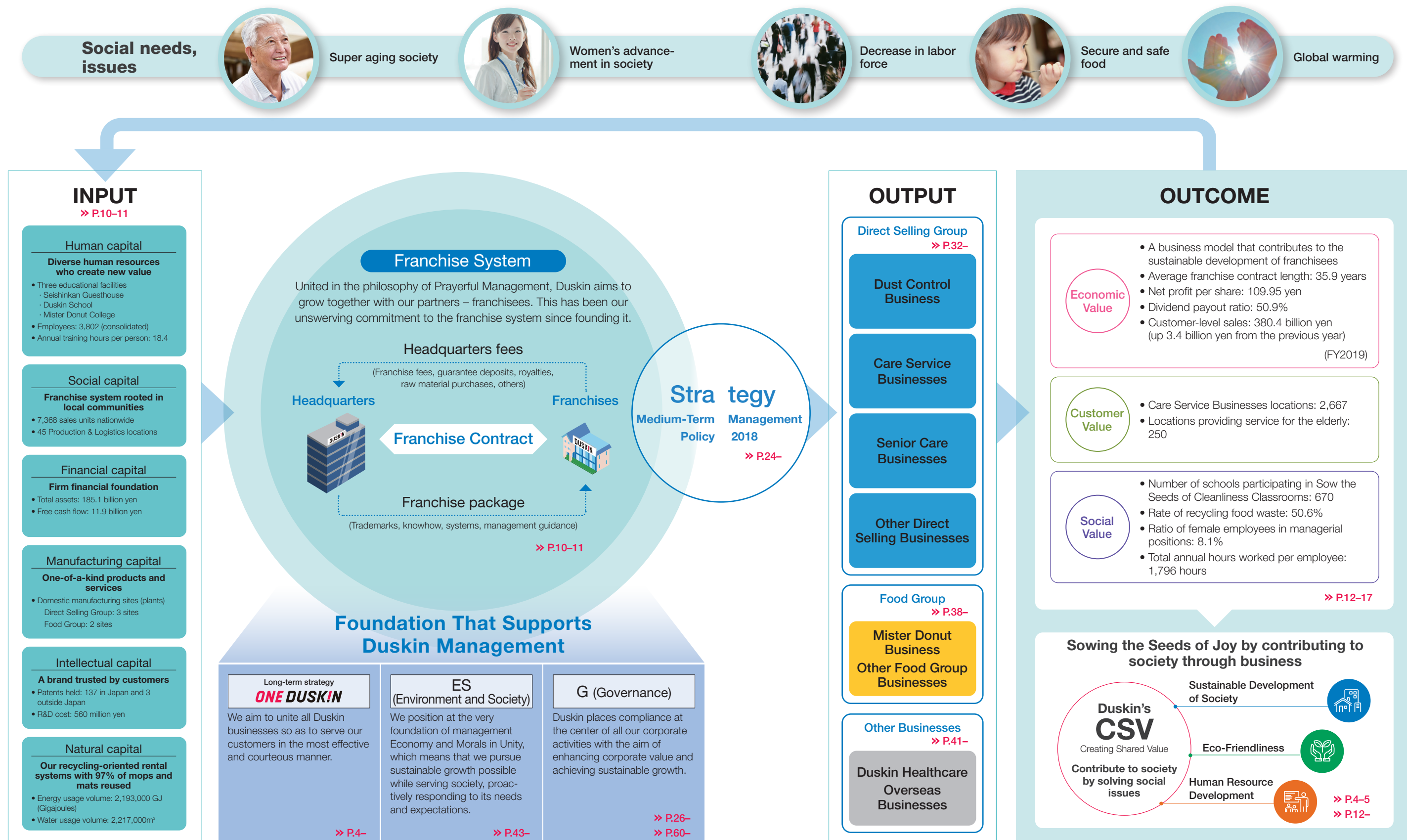
- Reduced eat-in demand due to the effects from COVID-19
- Improving product strength at competing retailers such as convenience stores and mass retailers
- Changes in consumer sentiment in regard to donuts amid a growing focus on health



# Duskin's Value Creation Model

We give back through our business activities as a way to express appreciation for society allowing us to exist as a company through its confidence in our products and services. Sowing as many Seeds of Joy as possible through effective use of the resources entrusted by our stakeholders and

society at large is our way of returning the blessings we have received. That is our way of creating value: living the philosophy of Prayerful Management in our business practices. We Sow the Seeds of Joy throughout our franchise network to continuously enhance Duskin's corporate value.



\*The above amounts are rounded down.



## Duskin's Value Creation Process (Commentary)

### Human Capital

Duskin believes in establishing workplaces where employees respect each other, and are respected, regardless of gender, age, nationality, career, lifestyles, or any other factors, thus empowering all employees to exert their talents to the fullest of their potential.

We are dedicated to educating and nurturing human resources at the three educational facilities of the Seishinkan Guesthouse, Duskin School and Mister Donut College, and in FY2019 significantly increased annual average hours of training per person to 18.4 hours.

### Social Capital

We focus on training and education of franchisee personnel, as our goal is to help customers live in comfort and with peace of mind through our products and services. These services are delivered by our franchisees via our nationwide franchise network, comprising over 7,000 units and offices as well as 45 laundry plants and distribution centers. As many of the owners run their businesses in the communities and markets where they and their staff members were born and raised, they know and understand the specific needs and attributes of each local market.

To be the leading service providers in their local areas, Duskin service staff members must acquire the skill sets needed for supplying quality service. They also play a major role in making their offices and units places to Sow the Seeds of Joy throughout their communities.

### Financial Capital

A solid financial foundation and sufficient cash flow have been attained by operating the businesses in ways that continue to generate sound profit. Total assets during FY 2019 stood at 185.1 billion yen and free cash flow amounted to 11.9 billion yen. This stable cash flow serves as a source for cultivating new business opportunities as well as a financial reserve for our business activities in times of crisis, such as natural disasters. Ultimately, these financial resources support and assist Duskin in our endeavors to create value for stakeholders. Going forward, we will maintain this sound financial structure and continue generating cash flow that fuels investments for growth and profit returns.

### Manufacturing Capital

Duskin plants and contracted plants that provide one-of-a-

kind products and services are capital of indispensable importance. Manufacturing plants in Japan consist of three sites for Direct Selling Group, and two sites for Food Group. For the contracted manufacturing plants that process products and raw materials, the Quality Assurance & Risk Management team conducts periodic inspections, and constantly strives to make improvements and enhancements to quality. In addition, our specialists for food processing plants conduct extensive quality inspections, covering facility management, process management, sanitary management and production management. This wide range of items on our checklist forms the basis of our evaluations, and leads to guidance for improvements.

### Intellectual Capital

At Duskin, we place value on earning the trust and faith of customers, and treat the "researching the science of clean" as a mission critical to performing our role as a member of society. Based on our core technology cultivated through the development of dust control products, we offer an array of products that possess multiple functions, and aim to contribute to the field of cleanliness and health. As of the end of FY2019, we held 137 patents in Japan, and three outside of Japan. We hold patents in our core technology that is the source of our competitive capabilities, such as product forming technology, knowhow and other ideas. In the previous fiscal year we invested 560 million yen as R&D costs.

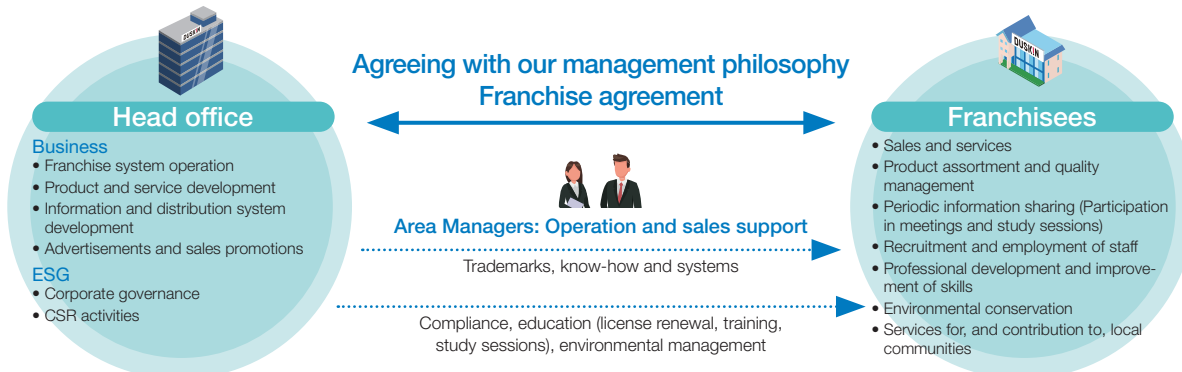
### Natural Capital

Duskin has commercialized and grown an eco-friendly recycling-oriented business based on the rental of cleaning and sanitation products. We proactively take on initiatives to preserve the environment in a number of business fields, including food processing.

We always carefully consider the impacts on society and environment at every stage of our business flows — from raw material procurement, to product manufacturing, processing, delivery, consumption and use of products by our customers, used-products collection, recycling — and focus on developing safe and reliable products and services that help to reduce our burden on the environment. During FY 2019, our Dust Control Business recycled 97% of dust control products, used 2,193,000 GJ of energy and consumed 2,217,000 m<sup>3</sup> of water. Moreover, our businesses pay close attention to recycling products and materials so as to extract as much value as possible from these limited resources.

### Duskin's 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.



## Materiality

### Materiality Process

We have targeted social issues listed in the SDGs and other global standards, such as the labor shortage and Japan's aging society, from the perspective of how we can contribute to them by addressing those issues through our value chain and business model. These are reviewed and evaluated by the project team, and each issue is classified into one of three categories: 1. Priority issues to proactively address; 2. Issues needing stronger action; and 3. Issues to continue addressing as before. In deliberations of the CSR Committee, we identified "Priority issues to proactively address" as critical for Creating Shared Value, CSV.

### Materiality Map

Degree of concern to stakeholders	Degree of impact on management	
	High	Low
	High	Low
	<ul style="list-style-type: none"> <li>◎ Health and welfare</li> <li>◎ Food loss</li> <li>○ Human rights</li> <li>◆ Quality and safety of products and services</li> <li>◆ Consumer protection</li> </ul>	<ul style="list-style-type: none"> <li>◎ Streamline energy usage</li> <li>◎ Reduction of greenhouse gas emissions</li> <li>◎ Promotion of 3Rs</li> <li>◎ Development of human resources</li> <li>◎ Labor shortages</li> <li>◎ Super aging society</li> </ul>
	<ul style="list-style-type: none"> <li>○ Work-life balance</li> <li>○ Personal information protection</li> <li>○ Dialogue and collaboration with stakeholders</li> <li>○ Occupational safety and health</li> <li>◆ Appropriate maintenance of labor practices</li> <li>◆ Fair business practices</li> <li>◆ Fair marketing</li> <li>◆ Social contribution activities</li> </ul>	<ul style="list-style-type: none"> <li>◎ Promotion of diversity</li> <li>◎ Coexistence and coprosperity with communities</li> <li>◎ Sustainability and transparency of supply chain</li> <li>○ Governance</li> <li>◆ Compliance</li> <li>◆ Risk management</li> </ul>
	<ul style="list-style-type: none"> <li>◆ Streamline water usage</li> <li>◆ Manage chemical materials</li> <li>◆ Preserve biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>◆ Labor relations</li> <li>◆ Intellectual property protection</li> </ul>














◎ Priority issues to proactively address ○ Issues needing stronger action ◆ Issues to continue addressing as before

### Relationship of Materiality and Focused CSV areas

Materiality (Priority issues to proactively address)	Focused CSV areas
1. Super aging society 2. Health and welfare 3. Coexistence and coprosperity with communities	Co-creation of Value in the Franchise Chain
4. Sustainability and transparency of supply chain	Building Responsible Supply Chain Management
5. Promotion of 3Rs (Reduce, Reuse and Recycle) 6. Food loss	Contributing to the Creation of a Recycling-Oriented Society
7. Streamline energy usage 8. Reduction of greenhouse gas emissions	Addressing Climate Change
9. Development of human resources 10. Labor shortages 11. Promotion of diversity	Creating a Diverse and Inclusive Workforce

Note: Figures 1-11 above correspond to the numbers in Activities on the table "CSV Activities and KPIs" on page 12.

## CSV Activities and KPIs




	Focused CSV areas	Policy	Activities	KPIs	FY2019 results	Goals to achieve by FY2020	Social value and contribution to SDGs
 Sustainable Development of Society	Co-creation of Value in the Franchise Chain	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) 2, 3	Franchised units	ServiceMaster 1,122 units Terminix 569 units Merry Maids 763 units Total Green 132 units Home Repair 81 units Total 2,667 units (up 60 units from the previous year)	2,760 units in total	Ease the burden of household chores and home cleaning 
			Expansion in the Senior Care Businesses (franchise recruitment) 1, 2, 3	Franchised units	Health Rent 160 units Life Care 90 units Total 250 units (up 5 units from the previous year)	269 units in total	Support seniors living at home and alleviate the burden of family caregivers 
			Prevention of secondhand smoke 2	Shops with all seats non-smoking or with an isolated smoking booth	939 shops (up 22 from the previous year) 977 shops in operations in Japan (as of March 31, 2020)	All Mister Donut shops	Contribute to building a community comfortable to live in 
			Manufacturing and renting custom-made mats to prevent special fraud 3	Prefectures where the mats are placed	45 prefectures (Approx. 14,000 mats)	All 47 prefectures	
			Support for school education on cleaning through Sow the Seeds of Cleanliness Classroom on-site lessons 3	Participating schools	670 schools (achievement through mid-February) Activity suspended due to COVID-19	700 or more schools a year	
	Building Responsible Supply Chain Management	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 4	Rate of periodic inspections at contracted food processing plants	100% (38 plants planned and 38 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) 4	Products for which continuity plans were created	At Direct Selling Group, continuity plans were created for 50 items out of the top-selling 60 products and are under development for 10 items.	Complete development	Maintain steady delivery of products and services 
 Eco-Friendliness	Contributing to the Creation of a Recycling-Oriented Society	Build Duskin's recycling-oriented model 4Rs (reduce, reuse, recycle and repair*) to optimize resource use * Duskin defines "Repair" as long-term use through repeated repair of an item.	Maintaining the rate of reused mops and mats 5	Rate of reused mops and mats	97.3% (584,000 reused out of 600,000 collected items)	97% or higher	Contribute to a recycling-oriented society by providing rental items that are continuously in use 
			Reducing and recycling food waste (into animal feed and biogas) 6	Rate of food waste recycling	50.6%	50% or higher	Increase the recycling of food waste and reduce food waste 
			Addressing issues to eliminate disposable plastic straws 5	—	No longer providing plastic straws and free plastic shopping bags (certain items are provided with plastic straws)	Eliminate disposable plastic straws by the end of FY2020	Curb the use of disposable plastic that causes marine pollution 
	Addressing Climate Change	Optimize traveling, transportation and energy use in the whole value chain	Reduction of CO <sub>2</sub> emissions, one of the causes of global warming 8	CO <sub>2</sub> emissions	19.8% reduction from FY2013	16% reduction from FY2013	Mitigate climate change by cutting greenhouse gas emissions  
			Replacement of sales vehicles with eco-friendly low-emission vehicles with a start-stop feature 8	Introduced low-emission vehicles with automatic brakes and a start-stop feature	2,637 vehicles	4,233 vehicles	
			Effective use of energy resources and cost reduction 7	Energy consumption (energy intensity)	5.7% reduction from the previous year	1% or more reduction from the previous year	
 Human Resource Development	Creating a Diverse and Inclusive Workforce	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 9, 11	Rate of female employees in managerial positions (non-consolidated)	8.1% (30 female managers; up 3 from the previous year)	8% or higher	Develop a diverse staff and create greater opportunities for all  
				Rate of employees with disabilities	2.68% (199 employees with disabilities; down 2 from the previous year)	3% or higher	
			Annual training hours per employee	Non-Japanese staff members	18.4 hours per employee (up 5.5 hours from the previous year)	12.5 hours or higher a year	
			Expansion of the Project to Accept Foreigners Conducting Housekeeping Services 10	Annual hours worked per employee	47 members (up 19 from the previous year)	50 members	Contribute to economic development by helping employees live healthy, more fulfilling lives 
			Improvement in productivity and health-focused management 9	Rate of employees who participated in annual health checkups	1,796 hours (down 37 hours from the previous year)	1,850 hours or less	
					100%	100%	

Note: Figures 1-11 above correspond to the numbers on the table "Relationship of Materiality and Focused CSV areas" on page 11.



# Risks and Opportunities

Looking ahead to future topics and trends in society, we continue to examine risks and opportunities that could affect our value creation and business models when addressing key issues of Creating Shared Value (CSV).

Future topics and trends in society	Risks	Opportunities		Focused CSV areas
<p>Increase in working couples</p> <p>Aging society and declining birthrate</p> <p>Higher demand for home care and preventive care</p> <p>Overcoming population decline and vitalizing local economy in Japan (Pursue the strategy of town, people and job creation in an integrated manner)</p> <p>Expectations regarding corporate social responsibility</p>	<ul style="list-style-type: none"> <li>Decline in customer satisfaction and trust from providing inadequate services</li> <li>Liability for accidents occurred during service provision</li> <li>Lower motivation of customers to use services and lost business opportunities from slow response to changing social needs</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Deteriorating relationship with local communities due to insufficient communication or communication breakdown</li> </ul>	<ul style="list-style-type: none"> <li>Increase customer satisfaction and maintain competitive edge by developing safe and stable service provision systems</li> <li>Develop products and services that respond to social issues and needs, thus expanding opportunities and motivation for customers to use them</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Stabilize businesses by forming safety-conscious communities and co-existing with local communities</li> <li>Enhance reputation by contributing to regional safety, security and economic invigoration as a member of a corporate group tasked with community building</li> </ul>	 <p>Sustainable Development of Society</p>	<p>Co-creation of Value in the Franchise Chain</p> <p>Building Responsible Supply Chain Management</p>
<p>Greater interest in food safety</p> <hr/> <p>Product quality and wider scope of responsibility</p>	<ul style="list-style-type: none"> <li>Product supply stoppages, quality deterioration, lower social status and reputation arising from supply chain problems</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Suspended sales activities due to large-scale natural disasters</li> <li>Production or sales stoppages from suspended procurement, higher costs from delays</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain eco-friendliness and stable procurement of high-quality products through strict Quality, Cost, Delivery (QCD)</li> <li>Create new value through collaboration, pursue sustainable tie-ups by forging trusting relationships</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Provide social value by quickly resuming operations after disasters and other emergencies</li> <li>Enhance competitiveness through procurement risk management and sustainable raw materials procurement</li> </ul>		
<p>Shift toward a circular economy</p> <hr/> <p>Greater interest in reducing food loss</p> <hr/> <p>Greater interest in environmental issues</p>	<ul style="list-style-type: none"> <li>Possibility of not being able to keep up with the quality and the speed of the shift that customers demand</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Social criticism and higher disposal costs from increased waste</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Surging procurement costs from switching to paper and highly biodegradable alternative materials</li> </ul>	<ul style="list-style-type: none"> <li>Enhance brand image by promoting circular economy</li> <li>Increase sales by appealing to and gaining support from highly eco-conscious customers</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Lower costs by reducing waste, improving recycling</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Enhance reputation by appealing to and gaining support from highly eco-conscious customers</li> <li>Enhance competitiveness through sustainable raw material procurement</li> </ul>	 <p>Eco-Friendliness</p>	<p>Contributing to the Creation of a Recycling-Oriented Society</p> <p>Addressing Climate Change</p>
<p>Worsening global warming issues</p> <hr/> <p>Increasing large-scale natural disasters</p> <hr/> <p>Tightening environmental regulations</p>	<ul style="list-style-type: none"> <li>Business damage from increases in extreme weather (including droughts, floods, typhoons)</li> <li>Physical damage to shops and distribution networks from climate change</li> <li>Stricter environmental regulations, higher costs, surging energy expenses</li> </ul>	<ul style="list-style-type: none"> <li>Greater business opportunities mainly from sustainable energy that helps mitigate climate change</li> <li>Conserve energy, improve energy supply sources, reduce costs by lowering energy usage</li> </ul>		
<p>Greater diversity</p> <hr/> <p>Intensifying competition for talented personnel</p> <hr/> <p>Decrease in working-age population</p> <hr/> <p>Promote work-style reform, health-focused management</p>	<ul style="list-style-type: none"> <li>Reduced organizational strength due to lack of personnel training and diversity; a decline in employee loyalty</li> <li>Lost business opportunities from outflow of talented personnel</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Personnel shortages, surging personnel costs from lower working population</li> <li>Difficulty in retaining staff, lower reputation arising from mental health, harassment and other labor issues</li> <li>Lower labor productivity, higher health-related costs</li> </ul>	<ul style="list-style-type: none"> <li>Retain talented personnel by promoting diversity, enhance capabilities to respond to change and business opportunities</li> <li>Create a strong organizational structure and reinforce employee loyalty by attracting and training talented, diverse personnel</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Higher labor productivity, lower costs by using Internet of Things (IoT), Artificial Intelligence (AI) and Digital Transformation (DX)</li> <li>Increased employee motivation by promoting work-life balance</li> <li>Higher labor productivity and health by creating rewarding work environments</li> </ul>	 <p>Human Resource Development</p>	<p>Creating a Diverse and Inclusive Workforce</p>

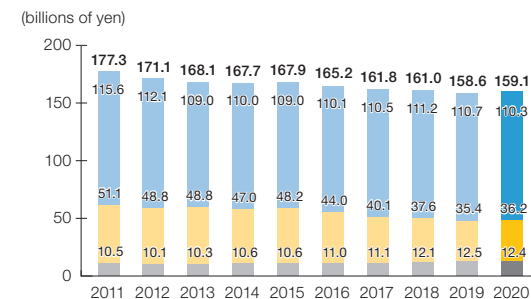
## Financial Highlights

(12-month period ended March of each fiscal year)

## Consolidated sales

159.1 billion yen

■ Direct Selling Group ■ Food Group ■ Other Businesses



Duskin is comprised of Direct Selling Group and Food Group, two separate business portfolios. While Direct Selling Group recorded lower sales, sales were higher in Food Group in the fiscal year ended March 31, 2020. As a result, consolidated sales increased 403 million yen, or 0.3%, from the previous fiscal year, to 159,102 million yen in the fiscal year under review.

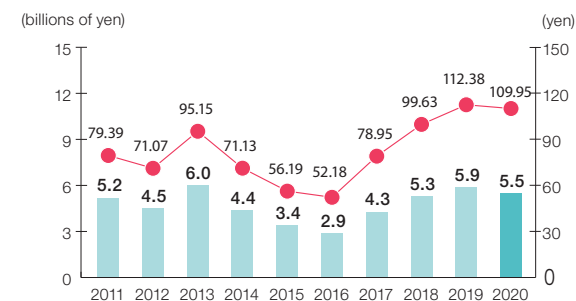
Note 1: Business segment sales do not include intersegment sales.

Note 2: A reportable segment was changed on April 1, 2010. On April 1, 2018, Clean & Care Group was renamed Direct Selling Group.

## Profit attributable to owners of parent

5.5 billion yen

■ Profit attributable to owners of parent ● Net profit per share



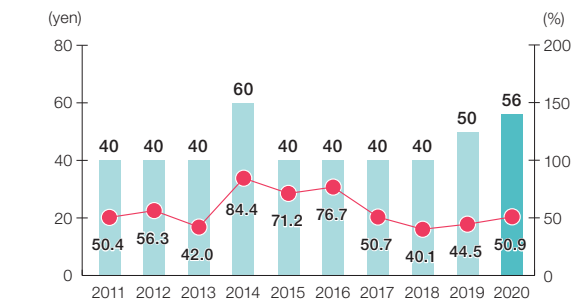
Profit attributable to owners of parent for the fiscal year under review, the source of profit to be returned to shareholders, decreased by 393 million yen (6.6%) to 5,591 million yen. This was due to lower ordinary profits driven by a fall in the share of profit of entities accounted for using the equity method, and came despite an improvement in extraordinary income resulting from an increase in the gain of sales of investment securities and reduced impairment losses.

Note: From the fiscal year ended March 2016, 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

56 yen

■ Dividends per share ● Dividend payout ratio



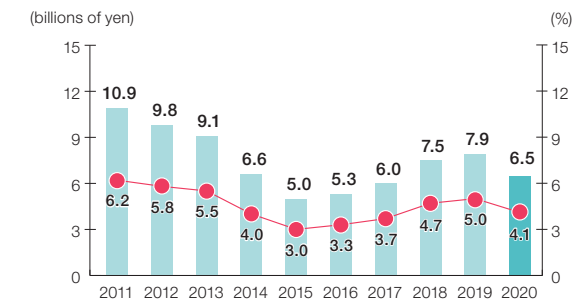
Effective from the fiscal year ended March 2020, Duskin revised its dividend policy. Our basic policy is to strengthen the return of profit to shareholders and to distribute profit in line with our performance while maintaining the proper balance between these distributions and the need to maintain financial 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 the fiscal year ended March 2014 includes a 20 yen 50th anniversary commemorative dividend, and the dividend for the fiscal year ended March 2019 includes a 10 yen 55th anniversary commemorative dividend.

## Operating profit

6.5 billion yen

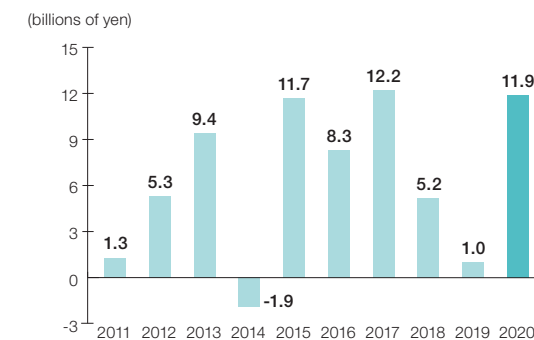
■ Operating profit ● Operating margin



Duskin is reviewing its profit structure to increase profitability while at the same time aggressively investing in capital equipment, which is the key to growth. In addition to higher expenses at laundry plants in Direct Selling Group, the company invested 900 million yen in IT system upgrades and sales promotion activities to respond to the consumption tax rate increase. Coupled with increases in retirement benefit and other expenses, operating profit was 6,577 million yen, a 1,377 million yen (17.3%) decrease.

## Free cash flow

11.9 billion yen

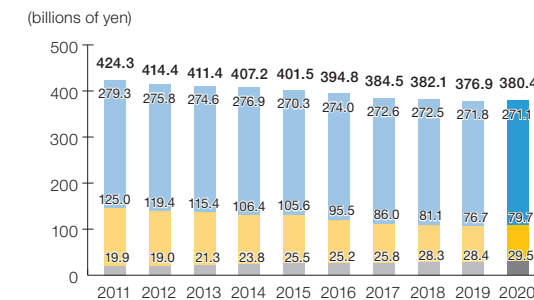


The balance of free cash flow is also important to securing working capital when developing a business through franchising. Free cash flow, which is the sum of cash flows from operating activities and investing activities, totaled 11,987 million yen in the fiscal year ended March 2020, a 10,936 million yen increase from the previous fiscal year. This largely reflected a pause in the purchase of shares of affiliates undertaken during the previous fiscal year.

## Customer-level sales

380.4 billion yen

■ Direct Selling Group ■ Food Group ■ Other Businesses



The franchise system is a source of value creation for the company and is recognized as invaluable social capital. Customer-level sales are presented as a reference and represent 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 from January to December in the previous year.

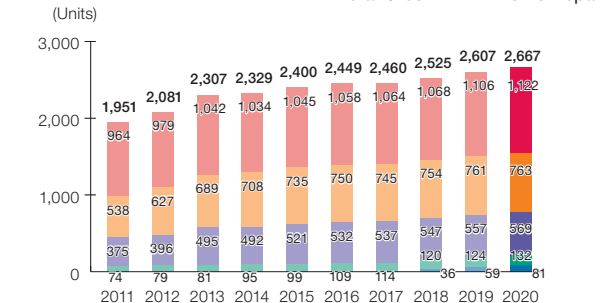
## Non-Financial Highlights

(12-month period ended March of each fiscal year)

## Number of Care Service Businesses Units

2,667

■ ServiceMaster ■ Merry Maids ■ Terminix  
■ Total Green ■ Home Repair

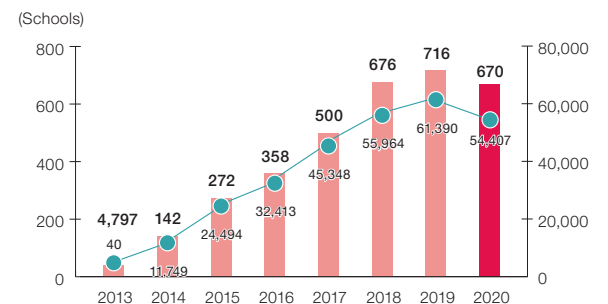


With robust needs in the outsourcing of house cleaning and other cleaning services, Duskin is strengthening its system of service provision to customers. Focusing on franchise recruitment with a newly introduced franchise package with lower initial cost, Duskin is steadily increasing new franchisees.

## Sow the Seeds of Cleanliness Classrooms

670

■ Schools ● Participants

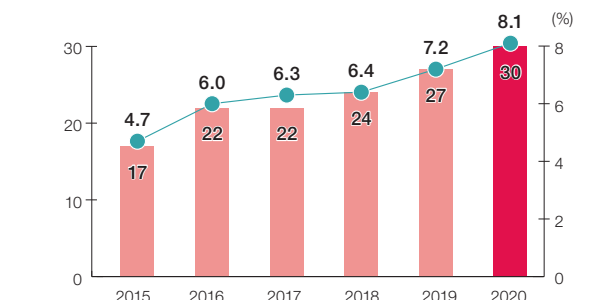


Duskin conducts a program called Sow the Seeds of Cleanliness Classrooms, a series of on-site lessons for elementary schools. The goals are to provide a better understanding of the importance and significance of cleaning as well as the proper use of cleaning equipment, and to raise motivation toward cleaning. Taking into consideration the impact of COVID-19, classrooms scheduled from late February 2020 have been suspended.

## Rate of female employees in managerial positions

8.1 %

■ Number ● Rate

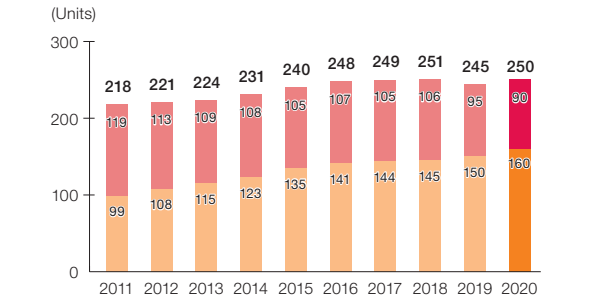


Since many customers are women, Duskin is dedicated to supplying products and services that are attractive, convenient and comfortable from the perspective of women. We have achieved our target of eight percent of female employees in managerial positions set for the fiscal year ended March 2020. Looking ahead, Duskin will continue to engage in a variety of activities.

## Number of Senior Care Businesses Units

250

■ Life Care ■ Health Rent

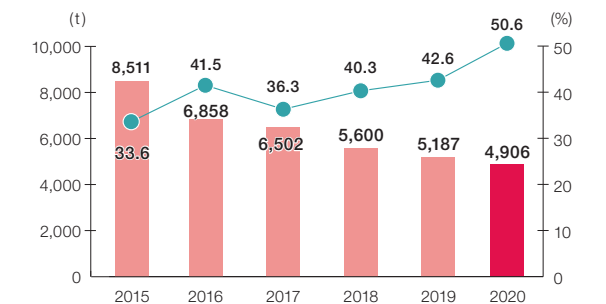


To meet the growing demand, Duskin has been steadily increasing the number of franchises that provide services for seniors. To further evolve into a provider of Daily Life Fine-Tuning Services, we have strengthened collaboration across business lines including the dust control rental, cleaning and technical services.

## Rate of recycling food waste

50.6 %

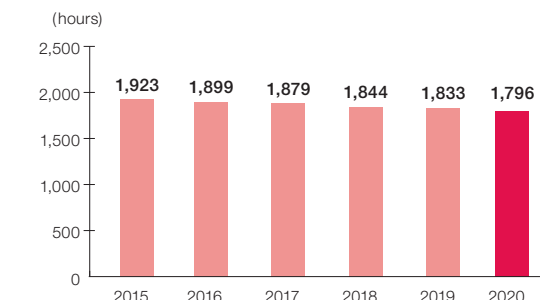
■ Waste ● Rate



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 the fiscal year ended March 2020, the group expanded the scope of recycling to the Kinki area and has started recycling donuts into biogas.

## Total annual hours worked per employee

1,796



Duskin considers reducing working hours as one of its highest priorities. After setting annual working hours per employee at no more than 1,850, data related to long working hours is reported periodically to the Board of Directors. Duskin has been implementing many initiatives, including encouraging employees to take 60% or more of paid annual leaves. A 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\*.

\* Duskin's version of premium Friday.



## To Our Stakeholders

With high aspirations under the motto  
“Let Us Sow the Seeds of Joy,”  
we move forward to meet the expectations of  
society and our customers,  
believing that maintaining the status quo  
is a step backwards.

### Business Environment and Performance

We are facing an unprecedented crisis due to the COVID-19 pandemic since the third quarter of fiscal 2019. As COVID-19 has spread across the country and many routes of infection are unknown, the coronavirus emergency has forced consumers to make major changes in their work routines and lifestyles. While implementing telecommuting, teleworking, and staggered work hours, Duskin is responding, with a sense of urgency, to the need for work and lifestyle reforms as well as for cultural and mindset changes and improvements in the working environment.

In the fiscal year ended March 31, 2020, sales by Direct Selling Group of dust control products for residential use fell compared with the previous fiscal year due to the consumption tax hike and other factors. Sales of dust control products for commercial use increased year on year due to growing demand for sanitation-related products, such as detergents, disinfectants and mats with antibacterial action. In Care Service Businesses, custom-

er-level sales increased in all businesses, resulting in higher sales than in the previous fiscal year.

In Food Group, the mainstay Mister Donut Business Group closed underperforming locations and the total number of shops in operation decreased. The number of customers declined significantly, because of the effects of shopping mall closures when a state of emergency was declared. However, due to newly released products having been highly rated throughout the period and increasing demand for takeout at roadside locations, sales per shop in operation increased significantly, and sales exceeded those of the previous fiscal year.

As we cannot predict at this stage when the pandemic will end, it is difficult to forecast COVID-19's impact on the current fiscal year's business results. As that impact could be considerable, we will monitor the situation closely in the months ahead.

**Teruji Yamamura**  
President & CEO



### Duskin's Value Creation

As we operate through a network of franchised businesses, our main source of revenue comes from franchise systems. Our franchisees and the headquarters share in each other's fortune and future. The franchise headquarters' existence is determined entirely by the franchisees. Our relationship is like the two wheels of a cart.

To get our franchise network through this unprecedented crisis, ensuring the health and safety of employees including part-time and temporary workers and keeping them in employment is of the utmost importance. As part of our franchise support, we have provided COVID-19 relief money to franchisees and their employees.

For shareholders, we will maintain stable cash dividends for each term with the aim of a consolidated payout ratio of 50%.

Since Duskin's founding, we have positioned the philosophy of Economy and Morals in Unity at the core of management. Morals prompt compassion and kindness to people and a heart for appreciation. Even in changing

times, the attitude we present to society should remain constant. Economy, on the other hand, represents our financial pursuits for business growth as a company. Products, services, and business model should change with the times. We have been pursuing Unity of “what must be kept unchanged” and “what must be changed” since the time of our founding.

Founder Seiichi Suzuki debuted Home Duskin, a rental dust cloth that removes dust without water to help reduce the burden of wet cleaning. From that time on, we have developed businesses that fit the needs of the times under the slogan “Let Us Sow the Seeds of Joy.” We aim to be of help to society to enhance our customers’ lives with our products and services.

Duskin’s greatest strengths are: providing solutions with our value-added products and services; many items actively marketed through our face-to-face interaction; and

providing excellent customer experience with time for relaxation in the pleasant ambience at our shops and restaurants. These are supported by all our franchisees and our corporate employees who embrace our management philosophy and form the Duskin franchise network with shared goals and vision for the future. This is the bond that unites us and distinguishes us from all others. As team members of the Duskin franchise network, we are committed to creating new value, and reflecting the voice of customers. This is our CSV management.

can order and pay in advance without waiting in line at a cash register.

The increase in number of working women also presents another challenge in our traditional rental system that provides product delivery and replacement by visiting homes during the day. We have launched a new system of return by post service where our sales representatives drop off new mops in customer mailbox and customers return used mops by mail. Another activity is to recommend a shift from cash payments to credit card payments. Customer data-sharing system between franchisees and Duskin has improved to be used in our business activities.

While utilizing the most up-to-date technology to enhance customer convenience, we place greater importance on personal touch and gracious hospitality to interact with customers and provide great customer services that meet their diversifying needs and expectations.

Direct Selling Group will further strengthen customer contact points in the residential market to further evolve into a comprehensive service provider. Nationwide, there

are about 60,000 sales representatives who regularly visit customers’ homes. In particular, nowadays, when there has been a significant increase in the number of home deliveries via online sales, there are companies and products that will create synergies with our distribution network.

In the commercial market, we place priority on enhancing our service capabilities by increasing the number of Hygiene Masters, our comprehensive sanitary management experts.

In the competitive sector of Care Service Businesses, our challenge is to meet a significant demand in metropolitan markets. To address this situation, we focus on placing experts on the frontline in the growing business segment of professional cleaning and technical services. Leveraging our strengths of customer relations, we are committed to retaining and expanding our customer base.

Mister Donut, the core business of Food Group, marks its 50th anniversary. We have taken action to attract more customers, including MISDO Meets and MISDO GOHAN campaigns and renovating and opening more shops.

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

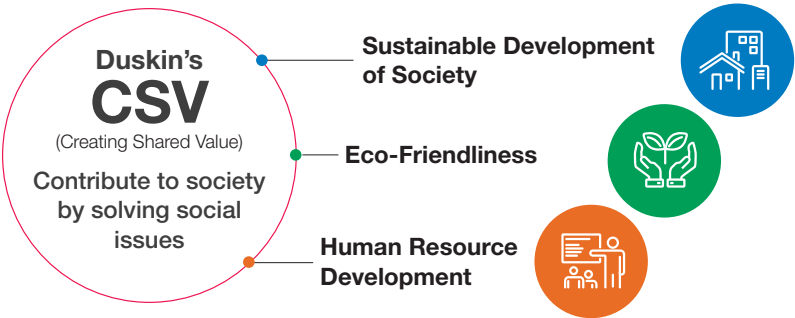
**NUMBER ONE**

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.



Our Initiatives

In recent years, labor shortage has been creating a major challenge in our business operation. Our shops, offices and plants must improve productivity with enhanced mechanization and automation. On the other hand, in direct selling, which places an emphasis on face-to-face communication with our customers, there is a concern of a delay in introducing artificial intelligence and digitalization

if we place focus only on dialogue. In an effort to address the concern, we will further utilize our membership website DDuet to facilitate communication with those customers not present at home or not covered by our direct selling channel. Another initiative is the introduction by Food Group of mobile ordering for enhanced customer convenience. With the new ordering system, customers

Corporate Governance

Since June 2020, two of our three Outside Directors have been women. We have ensured diversification on the Board of Directors by appointing women to three of the six outside director positions, including one woman who is an outside Audit & Supervisory Board Member.

In April 2020, a career Duskin woman was appointed as an operating officer. We will see more appointments of women in the future to better represent our customers and organization. Most of our customers for residential products and services are women. The managers at our franchise offices are mostly women. Most of the customers who frequent Mister Donut, and the staff members who work there, are women.

Under the Operating Officer System started in April 2018, the supervisory function was separated from business execution function. As a result, the oversight function has been strengthened. Along with the succession plan launched in FY2019, a development program for the next-generation executive candidates was also initiated.

The program is designed to evaluate candidates from different perspectives. The candidates are assigned to different projects. They will be assessed according to their skills and leadership in different business areas. Good division managers may not always be suitable as operating officers or as directors. It is important to make sure that the evaluation is not made solely at the CEO’s discretion but from the perspectives of management philosophy and along with evaluations by their subordinates’. A new assessment system is in place to make 360-degree evaluations—from subordinates, co-workers and superiors. We visit workplaces where the managers have received a low evaluation from their subordinates to gather first-hand information.

For the nomination of directors in the past three years, we selected the candidates for each of the following fiscal years based on the opinions of the Director Evaluation Committee, which is composed of outside directors. As outside directors have given us critical advice, the transparency of the process is increasing.



## What It Takes to Be a Good Leader

The required abilities and skills vary depending on the business sectors and responsibilities of the department. People in sales are expected to possess interpersonal skills; financial knowledge is required for those working in accounting department. The most important quality for leaders is fairness.

Good leaders are willing to act on their own initiative and be fair in judgment and decision-making. Some people support only those opinions that are the same as their own but not the dissenting opinions. Listening directly to the voices of team members, franchisees and customers provides opportunities to nurture leadership qualities.

A good example is illustrated in our relationship with MOS FOOD SERVICES Inc. Under our capital and business alliance, the franchise operations managers of Mister Donut and MOS BURGER build a relationship to grow and

inspire each other while recognizing each other's differences. When Mister Donut Area Managers visit franchised shops for franchise support and guidance, they are accompanied by MOS BURGER managers—and vice versa. CEOs may have opportunities to talk with each other, but employees have less chance for interaction. Creating more opportunities for employees to learn from each other will help them grow.

New ideas or high productivity cannot be achieved by solely working in their office. This is especially true for Area Managers or salespeople. They cannot feel and understand how the places and stores that used to have many inbound foreign tourists have changed until they actually get out of the office. Through these experiences, I believe they can broaden their horizons and enhance their perspectives.

## Looking to the Future

Duskin's strength lies in our franchise network deeply rooted in the local communities. Because most of the franchise owners and staff members were born and raised in their communities, they are familiar with their markets. With this strength, we identify the areas where leadership can take advantage of artificial intelligence and other technologies to better serve our customers.

Another initiative is to respond to customer voices, such as "I want to use Duskin products right away." "I want to have Duskin deliver a product soon." In response to such requests, we will combine the strength of our direct selling system with the convenience of e-commerce. On behalf of franchisees, the headquarters send out products ordered online to customers. Sales representatives at local franchised units visit customers to follow up on these orders, and this includes the provision of after-sales services. As such, demand for follow-up service is on the rise; we plan to expand this service in all regions other than Tokyo.

In recent years, we have seen an increase in the number of new franchisees in the Care Service Businesses segment. Dust control franchisees are consolidating because

of succession issues. Many of our franchises have been in business for more than 50 years and their owners are the third generation. Franchisees with no successor have an option to transfer their business to neighboring franchisees or Duskin affiliated companies. In the case of business transfer between franchisees, the headquarters act as an intermediary to ensure that such transactions proceed in accordance with corporate rules and regulations. When transferred to the headquarters, one of our affiliated companies nationwide will take over the business. This allows us to serve our customers seamlessly.

The founding owners of franchisees joined Duskin because they were inspired by listening directly to our Founder's philosophy. Many of our franchises are managed by third generation owners or on their third owners. In my case, I am the sixth president. We haven't had the opportunity to listen to our Founder directly and our generation understands the wishes of our Founder only through his videos or writings. In my effort to build a trusting relationship with franchisees, I have visited about 2,500 franchisees throughout Japan over seven years since my appointment, just as the Founder did.

## My Vision

My interpretation of "Maintaining the status quo is a step backwards." is to keep my aspirations and motivation high. It takes an endless effort to move forward.

During the journey, you may make a mistake or experience a failure. To our employees, I say, "there is no such thing as a failure." Employees haven't failed. They've just found many ways that won't work. In a way, each realization was a success because they have moved forward to explore new opportunities, which ultimately leads to a success.

Duskin's rental of cleaning and sanitation-related products, professional cleaning and helper services, and Mister Donut are the three successful Duskin brands that resonate with customers. Underlying the success are the failures over approximately 100 new businesses. I would

say our score is "three wins and ninety-seven losses," but I am convinced that the losses have led to the development of our employees.

Our annual motto for fiscal 2020 is "Delivering on our commitments to customers, proactive in every action and transaction, we Sow the Seeds of Joy." While committed to our customers and society, Duskin will act in a positive manner to meet their expectations.

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

山村輝治

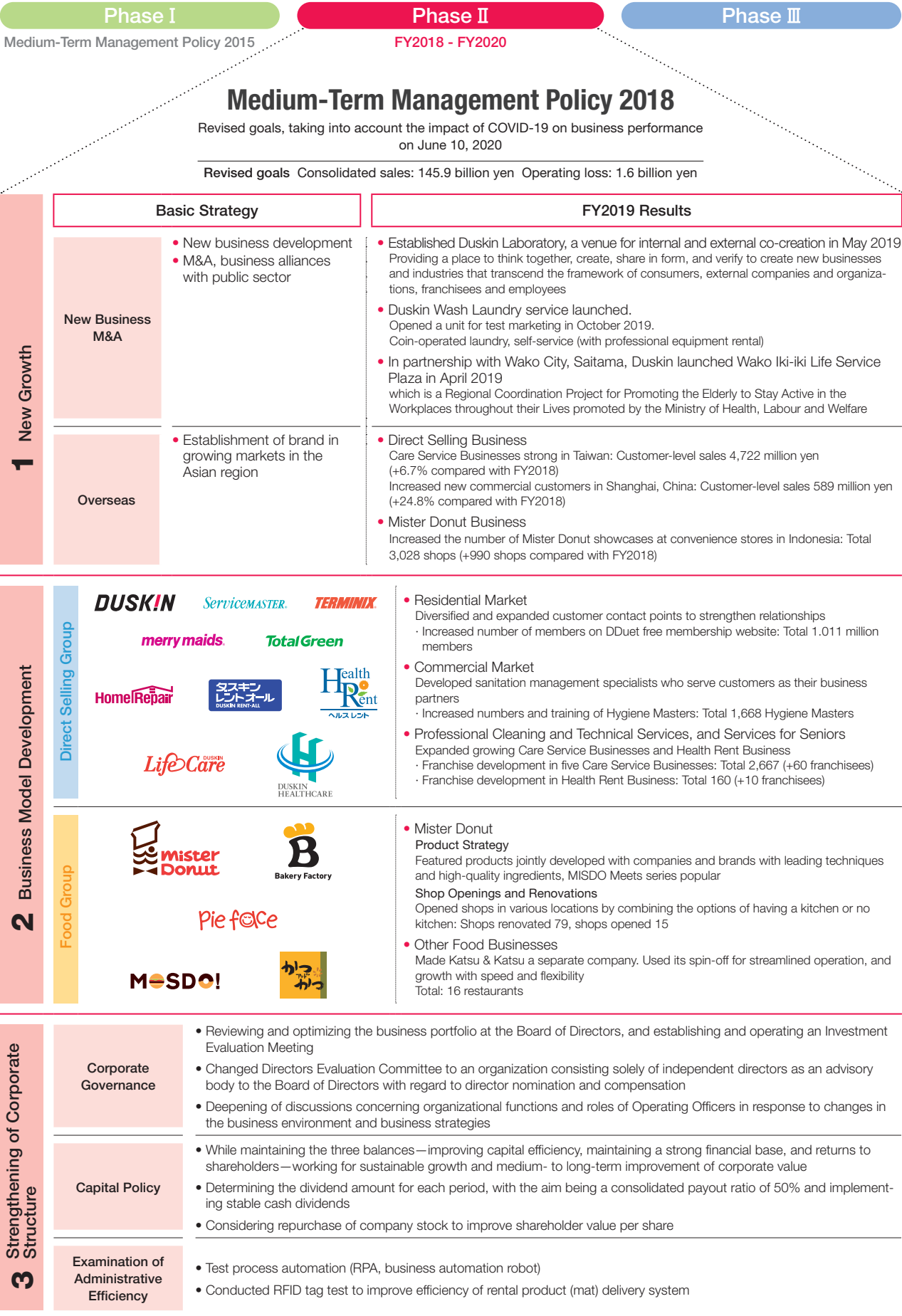
Teruji Yamamura  
President & CEO  
Duskin Co., Ltd.



# Overview of Past Medium-Term Management Policies

	FY2010 - FY2012	FY2012 - FY2014	FY2015 - FY2017 Long-Term Strategy ONE DUSKIN Phase I
Vision / Positioning	Aiming to be regarded as the world's most attentive service provider by our customers in every community	From product development to sales channels, reform and improve systems so that all our customers feel that "Duskin is empathetic, familiar and easy to access"	Formulated Phase I, the "Commitment & Action" plan, to build the foundation for achieving the nine-year long-term strategy of ONE DUSKIN
Outline of Plan	<p>To swiftly resolve the issues of people, products and services, and system, existing businesses that had been individually developed were consolidated into the following two:</p> <ul style="list-style-type: none"><li>Clean Group (Dust Control Business, Care Service Businesses, and others)</li><li>Food Group (Mister Donut Business and others)</li></ul> <p><b>Priority Issues</b></p> <p>(1) Business operations led by regional offices</p> <p>(2) Product and service development and planning, business operations and enhancement of training by women</p> <p>(3) Expand customer contact points</p> <p>(4) Raise efficiency, and strengthen the corporate structure</p>	<p>All services were reviewed to ensure our operations are seen from the customers' perspective through joint efforts of the head office, which focused on service and product development, and regional offices, which concentrate on responding to customers in each regional market.</p> <p><b>Priority Issues</b></p> <p>(1) Operational system reform: Change to a customer-oriented product and service delivery system that meets the needs of the times</p> <p>(2) Corporate structure change: Review phases from production to logistics in order to reduce costs</p> <p>(3) Improve on the status quo through original and imaginative approaches: Anticipate customer requests in each region and formulate measures to satisfy them.</p> <p>(4) New growth: Expand Dust Control Business and Mister Donut Business overseas</p>	<p>Efforts focused on recovering business performance and getting the group back onto a growth track</p> <p><b>Basic policies</b></p> <p>(1) Business model development: Develop a business platform through which Duskin and its franchisees can share and make the most of customer information</p> <p>(2) New growth: Focus on developing new businesses, and expand Clean &amp; Care Business and Mister Donut overseas</p> <p>(3) Structural reform: Review the cost structures of production &amp; logistics, distribution, procurement and information systems, focus on improving the profit structure</p> <p>(4) Enhancement of corporate governance: In addition to the idea of fair and highly transparent management, strengthen corporate governance as part of the growth strategy</p>
Review	<p>Initiatives taken</p> <ul style="list-style-type: none"><li>Established an organizational framework of region-driven operations by delegating authority to regional offices which work closest to our customers. This structure enables regional offices to swiftly implement plans tailored to local characteristics.</li><li>Increased the number of female Area Managers at regional offices, who supervise franchisees. Appointed more women in the product development and advertising sections.</li><li>Clean Group conducted cleaning demonstrations on the street and at post offices, tested online order placement and product delivery by courier service. Mister Donut introduced Baked Donuts, a new product category.</li><li>Reallocated human resources to regional offices. Reviewed operating procedures and streamlined them to improve efficiency.</li></ul> <p>There were contingencies unexpected at the time of planning, including the Great East Japan Earthquake in March 2011 and the associated nuclear power plant disaster as well as major changes in the situation overseas. In addition, as prices for raw materials, such as crude oil and grain, rose more than expected, we did not wait for the end of the Medium-Term Management Policy to re-extract the issues and instead proceeded to develop suitable measures and responses.</p>	<p>Initiatives taken</p> <ul style="list-style-type: none"><li>Built a new system for delivering rental mops to customers, such as by courier and mail</li><li>Further promoted the delegation of authority for business operations to regional offices which work closest to our customers, and built a system that enabled formulation of policies tailored to local characteristics</li><li>Made two manufacturers into subsidiaries to improve profitability through in-house production</li><li>Started operation of the DDuet membership website as a pathway to deliver information directly to our customers</li></ul> <p>Found customer needs and consumer behavior to be more diversifying than expected. New systems were completed but not recognized well enough among customers to be utilized.</p> <p>Continued to introduce new products and services as part of our efforts to strengthen product and technological development. Challenges remained for the group as a whole to achieve growth.</p>	<p>The first three-year phase made a foothold on achieving the ONE DUSKIN strategy.</p> <p><b>New Businesses</b></p> <ul style="list-style-type: none"><li>Rebranded the Home Instead Business into the Duskin Life Care Business to strengthen services for the seniors market</li><li>Started Home Repair Business as a new technical service</li></ul> <p><b>Overseas Development</b></p> <ul style="list-style-type: none"><li>Made Malaysia's largest donut chain, Big Apple, a subsidiary</li></ul> <p><b>Growth of Existing Businesses</b></p> <ul style="list-style-type: none"><li>Clean &amp; Care Group reinforced its direct selling business model and sanitary management service structures</li><li>Mister Donut accelerated renovations to new-type shops and introduced light meal items for breakfast and lunch.</li></ul> <p>Implemented reforms to help customers to use new systems, products and services</p> <p>Mister Donut found customer needs and consumer behavior to be more diverse than expected. Sales per shop in operation increased, but total sales were lower due to the decrease in the number of shops.</p>
Results	<ul style="list-style-type: none"><li>Mister Donut entered Malaysia, and the Dust Control Business expanded to South Korea.</li><li>Sales of cleaning and technical services increased, since opportunity loss was minimized by strengthening the structure to respond to the demand concentrated in short periods, such as air conditioner cleaning and year-end cleaning.</li></ul>	<ul style="list-style-type: none"><li>Succeeded in reducing costs by implementing various cost-reduction measures, such as production and distribution system reforms</li><li>Enabled swift policy implementation by building a policy planning system tailored to regional characteristics</li></ul>	<p><b>Clean &amp; Care Group</b></p> <ul style="list-style-type: none"><li>Expanded the DDuet membership from 70,000 (as at the end of March 2015) to 580,000 (as at the end of March 2018) with a focus on enhanced benefits communicated to residential customers</li><li>Trained Hygiene Masters with specialized skills and knowledge, and strengthened the sanitation management service structure</li></ul> <p><b>Structural Reform</b></p> <ul style="list-style-type: none"><li>Profitability improved due to cost reductions in procurement, production and logistics</li></ul>
Issues	<p>Introduced Baked Donuts and promoted sales of summertime donuts and donuts unique to certain local areas. However, sales were lower than in the previous year due to the impact of a drop in consumer spending.</p> <ul style="list-style-type: none"><li>Sales in the residential market were at the same level as in the previous year due to the introduction of the LaLa floor mop. Sales in the commercial market, however, dipped lower than the previous year's due to companies' strong drive to reduce cost.</li></ul>	<ul style="list-style-type: none"><li>Plans and measures were developed in line with regional characteristics, but they were not well implemented through the existing sales channels. Further diversification of customer contacts was required.</li><li>Dust Control and Mister Donut increased the number of locations overseas, but did not enter any new overseas markets.</li></ul>	<ul style="list-style-type: none"><li>Clean &amp; Care Group trained sales representatives to function like concierges for residential customers and strengthened sanitary management services with Hygiene Masters. Leveraging these service structures, Clean &amp; Care Group need to drive sales efforts to build a foundation for growth in the next phase.</li><li>Mister Donut recorded higher sales per shop in operation, but total sales were lower. This was due to the decreased number of shops as new shop openings were delayed. Mister Donut needs to accelerate its initiatives to rebuild the brand.</li></ul>

# Phase II of the ONE DUSKIN Long-Term Strategy -Toward 2024-





# CSR and ESG Management

Duskin Group is implementing CSR and ESG management in relation to creating shared value (CSV), as these endeavors are integral parts of our business activities.

CSR and ESG Vision	<b>Proactively respond to the expectations of society</b>	
	Maintaining good relationship with people, society and the environment, we humbly and attentively listen to the voice of society, and respond to its expectations. To contribute to the sustainable development of local communities where people live rich and happy lives through providing safe, reliable and excellent products and services.	
CSR and ESG Principles	1. Sustainable growth	We Sow the Seeds of Joy to continuously live up to the trust of society.
	2. Respect for human rights	We protect human rights and respect the individuality of each person.
	3. Environmental conservation	We endeavor to protect the global environment in everything we do.
	4. Dialogue and exchange	We care for other people and aim at building a better society.
	5. Products and services	We make customers happy with our products and services.
	6. Improving the work environment	We establish a work environment in which everyone can develop their characteristics and abilities fairly and feel the joy of work.
	7. Compliance	We act and think from the standpoint of others.
	8. Information management	We handle information with meticulous care and manage it appropriately.
	9. Risk management	In an emergency, we place the highest priority on the safety of human life and cooperate with local communities in the spirit of mutual help.

## Stakeholder Relationships

Stakeholder	Stakeholder Engagement	Opportunities for Dialogue
Customers	To be the most customer-oriented company in the world, and to put pro-customer ideas into practice	Consumer gatherings, Contact Center, fan meetings, Duskin website
Employees	Employees support each other, embrace challenges and grow together.	Labor-management council, Occupational Health and Safety Committee, hotlines, training programs, employee survey
Shareholders, investors	To strive for enhancement of corporate governance and continuously improve our corporate value	Investor communication, financial results briefings, company briefings for individual investors
Local communities	To become the most trusted and reliable service provider building harmonious and prosperous relationships with local communities	Clean Up My Town, laundry plant tours, Duskin Museum, educational activities for fraud prevention
Global Environment	To continue environmentally responsible businesses with goals for business growth	Contribution to the conservation of the Hakusan National Park ecosystem, abiding by the Ordinance on Global Warming Prevention
Government, NPOs	To support government-led programs through business activities	Cooperation for research and surveys, participation in conferences and committees, activities through The Duskin AINOWA Foundation
Suppliers	To build strong partnerships through fair and appropriate transactions	Supplier Study Sessions, trade shows, Duskin Purchasing Clean Line
Franchisees	Duskin head office and franchisees share the same philosophy.	Supported by our Area Managers, franchisee award programs, franchisee associations

## Activities for Strengthening CSR and ESG

At Duskin Group, the philosophy of Economy and Morals in Unity is the basis of our business management. This means that we will proactively meet society’s expectations and achieve sustainable growth while serving our society. To that end, Duskin considers it important to identify our materialities, key ESG issues we need to tackle through dialogues with stakeholders, as well as to focus on ESG activities from diverse perspectives, based on Sustainable Development Goals (SDGs) and international guidelines. In this process, we will enhance the sustainable growth and medium- to long-term corporate value of the entire group by performing PDCA (Plan-Do-Check-Act) cycles for identified ESG activities.

ESG activities	SDGs	Focused areas
Environment	<ul style="list-style-type: none"><li>Environmental management</li><li>Contribution to a recycling-oriented society</li><li>Global warming countermeasures, including energy conservation</li><li>Conservation and effective use of water resources</li></ul>	<div></div> <div></div> <div><b>Environment</b> We work to achieve the joint objective of engaging in sound business activities and environmental conservation. Duskin provides safe, reliable services and products that are eco-friendly throughout all phases of their lifespan, from production to after-use.</div>
	<ul style="list-style-type: none"><li>Quality assurance</li><li>Sustainable supply chain</li><li>Safety and reliability</li><li>Communication with customers</li></ul>	<div></div> <div></div> <div><b>Safety, reliability, and quality</b> Our goal is to build an improved, enriched, more fulfilled society by providing safe and reliable products and services. We continuously strive to achieve the highest quality management, reflecting the voice of customers.</div>
	<ul style="list-style-type: none"><li>Employment and work environment</li><li>Human resource development</li><li>Work-life balance</li><li>Diversity</li><li>Health maintenance and improvement</li></ul>	<div></div> <div></div> <div><b>Human resources</b> The quality of our service depends on the people who provide the services. To provide considerate products and services, we need people with compassionate hearts as well as skills and knowledge. Based on this belief, Duskin puts thoughtful resources and efforts into a variety of education and training for our employees and franchisees.</div>
Society	<ul style="list-style-type: none"><li>Social contribution activities</li><li>Providing solutions for social problems through business</li></ul>	<div></div> <div></div> <div><b>Local and social contribution</b> As a corporation and a member of local communities, we aim to be of more assistance to the communities of our customers. Duskin's various initiatives contribute to our local communities in line with our philosophy of Sowing the Seeds of Joy.</div>
	<ul style="list-style-type: none"><li>Corporate governance</li><li>Risk management</li><li>Compliance</li></ul>	<div></div> <div></div> <div><b>Corporate Governance</b> In addition to establishing a management framework that allows us to accommodate changes in our business environment with swiftness and precision, we continue to maintain a structure, organization and systems for sound and highly transparent management. Duskin also places compliance at the center of all our corporate activities, in order to continuously improve our corporate value.</div>

Note: More detailed information on ESG activities is posted on Duskin's corporate information website. <https://www.duskin.co.jp/csr/> (Japanese version only)

# Eleven-Year Highlights with Key Performance Indicators

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

								Long-Term Strategy ONE DUSKIN				
				Medium-Term Management Policy				Medium-Term Management Policy 2015			Medium-Term Management Policy 2018	
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Fiscal year</b>												
Sales	(millions of yen)	181,280	177,320	171,118	168,163	167,745	167,987	165,203	161,880	161,031	158,699	159,102
Operating profit	(millions of yen)	12,129	10,937	9,841	9,197	6,641	5,067	5,372	6,069	7,557	7,954	6,577
Ordinary profit	(millions of yen)	13,806	12,613	11,609	11,027	8,322	7,083	6,707	7,554	8,978	10,011	7,929
Profit attributable to owners of parent	(millions of yen)	7,824	5,248	4,583	6,092	4,448	3,441	2,983	4,318	5,324	5,984	5,591
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	2,178
Depreciation	(millions of yen)	5,824	6,172	6,225	7,083	6,953	7,068	6,704	6,878	6,216	6,415	6,938
Capital expenditures	(millions of yen)	10,067	4,009	6,541	5,285	3,974	6,319	8,520	5,905	5,076	6,324	6,744
<b>At the end of the period</b>												
Net assets	(millions of yen)	148,308	148,565	149,604	152,811	151,903	155,196	143,648	142,108	147,786	149,884	142,031
Total assets	(millions of yen)	200,889	198,876	197,316	202,375	202,778	198,475	190,322	190,116	196,058	194,223	185,158
Interest-bearing debt	(millions of yen)	5,987	362	245	189	243	50	20	88	173	—	—
<b>Cash flows</b>												
Cash flows from operating activities	(millions of yen)	18,563	14,032	14,057	16,269	12,086	6,251	11,199	15,803	13,111	13,606	8,850
Cash flows from investing activities	(millions of yen)	-7,849	-12,700	-8,686	-6,864	-14,004	5,515	- 2,826	-3,565	-7,909	-12,555	3,137
Cash flows from financing activities	(millions of yen)	-3,803	- 9,749	-4,355	-5,980	- 6,553	-4,514	-12,952	-6,800	-2,232	- 6,671	-10,022
Cash and cash equivalents at end of period	(millions of yen)	32,157	23,714	24,724	28,171	19,775	27,118	22,503	27,902	30,877	25,237	27,167
<b>Per share data</b>												
Net assets per share	(yen)	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	2,872.99
Net profit per share	(yen)	117.2	79.39	71.07	95.15	71.13	56.19	52.18	78.95	99.63	112.38	109.95
Dividend per share	(yen)	40.00	40.00	40.00	40.00	60.00	40.00	40.00	40.00	40.00	50.00	56.00
End of period share price per share	(yen)	1,663	1,542	1,653	1,878	1,979	2,080	2,022	2,428	2,697	2,635	2,841
<b>Financial indicators</b>												
Equity ratio	(%)	73.4	74.3	75.4	75.1	74.3	77.6	75.0	74.5	75.2	77.0	76.6
Return of equity	(%)	5.4	3.6	3.1	4.1	2.9	2.3	2.0	3.0	3.7	4.0	3.8
Return of assets	(%)	4.0	2.6	2.3	3.1	2.2	1.7	1.5	2.3	2.8	3.1	2.9
Price-earnings ratio	(%)	14.19	19.42	23.26	19.74	27.82	37.02	38.75	30.75	27.07	23.45	25.84
Dividend payout ratio	(%)	34.1	50.4	56.3	42.0	84.4	71.2	76.7	50.7	40.1	44.5	50.9
<b>Stock information<sup>1</sup></b>												
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	66,294	64,994	63,494	63,494	57,494	55,194	55,194	52,694	50,994
Treasury shares at end of period	(1,000 shares)	1,158	2,092	2,009	1,913	1,915	2,947	1,948	1,749	1,750	679	1,659
Repurchase of company stock	(1,000 shares)	600	934	1,016	1,203	1,500	1,030	5,000	2,100	—	1,429	2,679
Repurchase of company stock	(millions of yen)	984	1,468	1,612	2,015	2,835	—	10,503	4,415	—	3,750	7,777
Shareholders												
Individuals	(%)	41.3	41.5	41.3	41.5	39.8	40.0	41.1	40.2	38.7	40.2	39.4
Financial institutions	(%)	20.7	17.2	18.4	16.9	15.9	16.7	18.1	19.6	20.6	22.7	23.3
Domestic corporations	(%)	28.7	28.6	28.5	28.5	28.2	26.0	23.9	23.4	22.1	21.0	21.2
Foreign corporations	(%)	7.2	9.3	8.7	10.2	13.0	12.6	13.5	13.7	15.4	14.7	12.8
Treasury shares	(%)	1.7	3.1	3.0	2.9	3.0	4.6	3.4	3.2	3.2	1.3	3.3
<b>Number of employees</b>												
Full-time employees	(persons)	3,398	3,458	3,422	3,512	3,552	3,487	3,538	3,528	3,773	3,813	3,802
Non-consolidated	(persons)	2,014	2,033	2,039	1,952	1,936	1,928	1,960	1,954	1,991	2,020	1,974
Part-time employees <sup>2</sup>	(persons)	6,403	5,931	5,890	5,751	5,867	6,041	6,128	6,219	6,029	6,086	6,080
Non-consolidated	(persons)	2,367	2,158	2,079	1,715	1,541	1,478	1,588	1,607	1,488	1,438	1,121
<b>Units</b>												
Total		9,114	9,217	9,304	9,912	10,087	10,425	11,067	11,693	12,359	13,675	14,688
Direct Selling Group		5,417	5,577	5,537	5,949	6,031	6,135	6,218	6,200	6,245	6,332	6,365
Food Group		1,441	1,435	1,450	1,422	1,398	1,354	1,314	1,195	1,119	1,037	1,003
Other Businesses (Overseas businesses) <sup>3</sup>		2,256	2,205	2,317	2,541	2,658	2,936	3,535	4,298	4,995	6,306	7,320

<sup>\*1</sup> Numbers of shares less than one thousand are dropped.

<sup>\*2</sup> Annual average number of employees

<sup>\*3</sup> As at December 31 of the previous year



# Financial Strategy

## Review of Financial Results

In the fiscal year ended March 31, 2020 (FY2019), profit attributable to owners of the parent decreased due to factors specific to this fiscal year, including IT system upgrades to respond to the October consumption tax hike. ROE was down 0.2 percentage points from the previous year. Free cash flow was 11.9 billion yen, and we repurchased 7.7 billion yen of company stock as a measure to lift shareholder returns. As a result, the total return ratio was 189.3%, exceeding 100% for two consecutive years.

We have maintained a sound financial position, as total assets were 185.1 billion yen with an equity ratio 76.6% as of March 31, 2020.

Item	FY2015	FY2016	FY2017	FY2018	FY2019
Profit attributable to owners of parent (millions of yen)	2,983	4,318	5,324	5,984	5,591
Return on equity (ROE) (%)	2.0	3.0	3.7	4.0	3.8
Cash flows from operating activities (millions of yen)	11,199	15,803	13,111	13,606	8,850
Cash flows from investing activities (millions of yen)	-2,826	-3,565	-7,909	-12,555	3,137
Free cash flow (millions of yen)	8,373	12,238	5,202	1,051	11,987
Cash flows from financing activities (millions of yen)	-12,952	-6,800	-2,232	-6,671	-10,022
Total return ratio (%)	426.6	152.4	40.2	106.9	189.3
Total assets (millions of yen)	190,322	190,116	196,058	194,223	185,158
Equity ratio (%)	75.0	74.5	75.2	77.0	76.6

## Basic Policy

Duskin is focusing on improving the capacity of each business to generate cash flow by lifting capital efficiency and maintaining a solid financial base. Our core financial strategy is use generated cash to sustain development and balance the allocation of profits among shareholders, other stakeholders, and investments prioritized for future growth.

Uncertainties are increasing in the business environment due to the impact of the novel coronavirus. Under such circumstances, we will assess business performance and evaluate investments with a focus on both cash flow and profit-loss management.

## Improving Capital Efficiency

We believe that generating profits and cash flows that exceed the cost of capital will improve shareholder value. To assess annual capital efficiency and return on investment (ROI), the Board of Directors discusses the direction forward for all businesses based on their portfolio analysis. Another initiative for boosting capital efficiency is the launch of the Investment Assessment Committee, an authority that reviews new investment projects, to create PDCA (Plan-Do-Check-Act) cycles for investment. We aim to achieve higher profitability with an increase in ROE to 5% at an early stage by establishing a new business foundation through investments in growth and greater efficiency through streamlining business processes and cutting costs.

## Maintaining a Solid Financial Base

We are maintaining a solid financial base—one built up by placing a high priority on financial soundness. Our business operates through a franchise network, and as a franchisor we are responsible for maintaining the network if a natural disaster strikes. As such, we have funds to provide restoration and operational support to the affected franchisees. Furthermore, Duskin is preparing to transfer the business of franchisees who face the problem of having no successor. Sufficient cash and deposits have also been secured as M&A funds necessary to acquire new businesses.

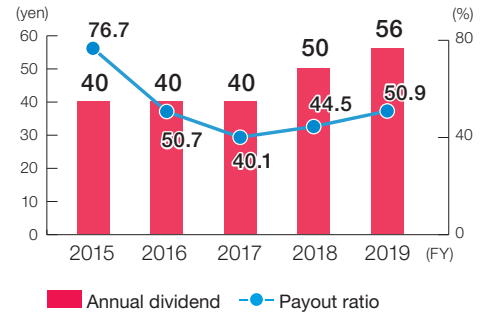
In preparation for further unforeseen circumstances, we possess sufficient capacity for procurement from financial institutions and will continue working to maintain financial soundness.

## Shareholder Return: Dividend Policy and TSR

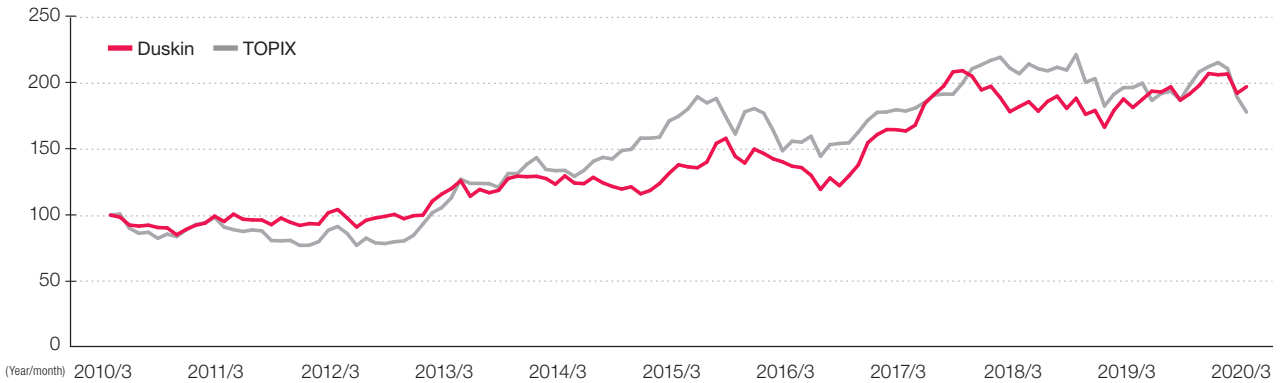
Duskin considers the return of profits to shareholders as an important management priority. We have set out our basic dividend policy of distributing a portion of the profit based on our performance. At the same time, we are ensuring an appropriate balance between these distributions and the need for investments in sustainable growth and higher corporate value while maintaining a financial bulwark against potential risks. Under this policy, we will continue to consistently pay stable cash dividends with a target consolidated payout ratio of 50%. We will also examine the possibility of a share repurchase in terms of the total return ratio.

In the fiscal year under review, the total shareholder return (TSR), including dividends was 9.9%, and the TSR for the past 10 years has been as follows. We will continue to implement growth strategies and appropriate financial capital policies to achieve a TSR that exceeds the cost of shareholders' equity.

Annual Dividends and Payout Ratio



## Share Performance



Investment period	1 year	3 years		5 years		10 years	
	Cumulative total/ Annual rate	Cumulative total	Annual rate	Cumulative total	Annual rate	Cumulative total	Annual rate
Duskin	9.9%	23.0%	7.2%	47.5%	8.1%	97.7%	7.1%
TOPIX	-9.5%	-0.4%	-0.1%	1.8%	0.4%	78.4%	6.0%

(Note) Total Shareholder's Return (TSR): Total rate of return on investment that combines capital gains with dividends  
(Note) Duskin calculates TSR based on cumulative dividend and stock price fluctuations; TOPIX is calculated using a stock price index including dividends (created by Duskin based on Bloomberg data, etc.)  
(Note) Graph data represents market prices indexed by TSR with closing price data as of March 31, 2010 as a base of 100 (holding period up to March 31, 2020)

### Concerning 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.

The number of strategically held stocks was 34 in the fiscal year ended March 31, 2015, but decreased to 21 in the fiscal year ended March 31, 2020 (reduction of 13 stocks over five years).

## Segment Overview

### Direct Selling Group

**Advancing Daily Life Fine-Tuning Services**  
Pursuing expertise in every Direct Selling Group business and developing new services and products

#### Kazushi Sumimoto

Director & COO  
General Manager, Strategy Management, Direct Selling Group



In April 2020, Direct Selling Group, with the aim of accelerating our initiatives to provide Daily Life Fine-Tuning Services, established three divisions: Planning & Development, which cultivates expertise in each business's area of specialty; Operations, which implements activities to suit regional needs and characteristics; and Strategy Management, which plans strategies to help customers fine-tune the rhythm of their daily lives. The group strives to explore new growth areas closely related to everyday life, beyond our traditional business domain, to create value unmatched by any other company. Duskin's head office and franchisees are working together to further expand the range of services that are in tune with each customer's daily rhythm.

In 2020, people's lifestyles and values have completely transformed, as the COVID-19 pandemic and its accompanying state of emergency introduced unprecedented challenges. People's awareness of hygiene in their environment and the need for more rigorous sanitation management has risen higher than ever before, and this level of interest is unlikely to subside anytime soon. At Duskin, with an understanding of these changes in the social environment and needs of the times, we are committed to research and development that furthers our expertise in sanitation-related products and services.

Direct Selling Group continues to identify people's real needs and provide solutions through our products, services, and information.

#### Results of FY2019

In the residential market, sales by the Dust Control Business decreased from the previous year due to lower sales of the mainstay mop products due to the consumption tax hike. We pushed ahead with initiatives to improve customer convenience, promoting the switch from cash to credit card payments and encouraging customers to sign up to the free DDuet website to expand the membership. In the commercial market, sales of Clear Kukan air purifiers grew driven by the increasing interest in and demand for sanitary management. In the fourth quarter, sales of other sanitation-related products rose in response to the spread of COVID-19.

#### Segment Composition

The Dust Control Business provides rental services of mats, mops, cabinet towels, air purifiers, and other sanitary management products for residential and commercial customers. In the Care Service Businesses, which have recently seen a sharp rise in demand, we provide five services: 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 in Japan's aging society, we operate Health Rent rental and sales of nursing and assistive devices, and Life Care support services for seniors. Other businesses in Direct Selling Group are: Health & Beauty, which sells cosmetics and health food; Rent-All, which rents out household items and equipment for various events; and Uniform Service, which plans, sells, and leases out uniforms. These businesses are operated mainly through our franchise network. We rent and sell our branded products to franchisees and provide them with business system know-how and expertise, and the Company receives payments for rental and sales of products and royalties from franchisees in return.

#### Risks and Opportunities

As a pioneer in Direct Selling Business, Duskin possesses a high profile as well as an abundant know-how and brands. The Dust Control Business has a dominant share in both the residential and commercial markets, although both markets are shrinking. In the residential market, fewer people stay at home during the daytime due to more women working outside the home, and disposable cleaning products are becoming popular. In the commercial market, the number of offices and

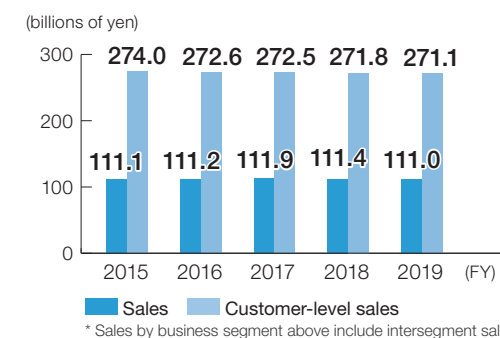


shops is on the decline, and companies are always looking for new ways to reduce costs. On the other hand, the Care Service Businesses market is expected to expand because the number of working couples is growing and the need for outsourced cleaning and housework is rising in the wake of work-style reforms. Meanwhile, Japan's aging society is amplifying the Senior Care Businesses market. Furthermore, in the Dust Control and Care Service Businesses, we will be cultivating new business and providing sanitary management products and services in response to the heightened awareness of hygiene stemming from the novel coronavirus crisis.

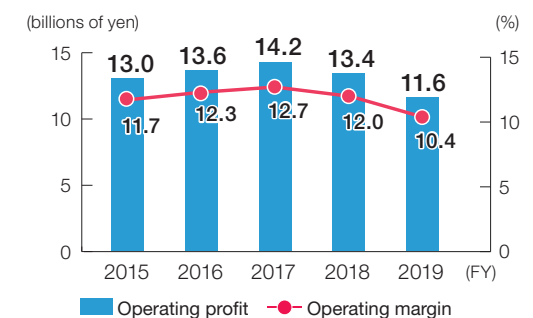
#### Updates on the Medium-Term Management Policy 2018

The ONE DUSKIN strategy was formulated with the goal to unite all Duskin's businesses to effectively serve our customers through the products and services we offer. Based on this strategy, we are undertaking initiatives to enrich each business's expertise in their area of specialty as well as strengthen our systems, structures, and product development functions. When developing products, services, and systems, we also include designing service menus that make it possible to provide products and services beyond existing systems and structures. The overall aim is for Direct Selling Group to serve customers at every stage of life through specialist businesses for certain needs.

#### Sales\* and Customer-Level Sales



#### Operating Profit and Operating Margin



#### Customer-Level Sales (millions of yen)

		2015	2016	2017	2018	2019
Dust Control (Domestic)	Residential	96,513	93,814	91,146	88,775	86,532
	Commercial	96,026	94,946	94,507	93,940	94,062
Cleaning & Technical Services (Care Service Businesses)	ServiceMaster	27,063	27,749	28,646	29,358	29,638
	Merry Maids	10,460	10,533	10,910	11,127	11,248
	Terminix	7,855	8,062	8,231	8,357	8,650
	Total Green	2,395	2,542	2,594	2,723	2,880
	Home Repair	-	36	55	111	153
Senior Care Businesses	Health Rent	7,984	8,640	9,236	9,901	10,562
	Duskin Life Care	2,185	2,157	2,218	2,137	2,089
Azare Products		3,749	3,726	3,525	3,536	3,289
Rent-All		12,417	12,846	13,627	14,353	14,655
Health & Beauty		2,721	2,746	2,869	2,546	2,538
Uniform Service		3,150	3,304	3,426	3,399	3,391
Drink Service		1,481	1,524	1,580	1,541	1,495
Direct Selling Group total		274,005	272,633	272,577	271,811	271,189



## Home Services

### Updates on the Medium-Term Management Policy 2018

To transform into a provider of Daily Life Fine-Tuning Services, Direct Selling Group is boosting collaboration among the Dust Control, the Care Service, and the Senior Care Businesses. Our focus is also on maintaining and expanding the customer base and improving convenience for customers at the Dust Control Business, and strengthening the service structure at the Care Service and the Senior Care Businesses. Our strength has been service visits and face-to-face sales of products and services to meet customers in person and listen to their requests. However, as our customers' lifestyles and work styles have diversified with the development of the Internet and work-style reforms, it has become difficult to closely connect with all customers and satisfy their everyday needs just by home visits and face-to-face sales proposals.

To improve convenience and the service experience for our customers, we are also expanding non-face-to-face contact with them. Included in these initiatives are presentation videos posted on our website. These videos help customers to grasp the details of products and services and learn how to use them even if they do not have the opportunity to meet our sales representatives. We also promote free enrollment to our membership website DDuet, from which customers can place orders. We are also shifting payment by customers from traditional cash to credit card payment. Another drive toward non-face-to-face services is the return of dust control products by post. That is, rental products are delivered to customers' mailboxes, and they return used products by mail. This way, customers do not need to be home to receive rental items from our sales representatives. These ideas to strengthen non-face-to-face contact have had some positive effects during the two years of the Medium-Term Management Policy 2018.

In FY2019, we launched new ways to support people's lives. Highlights included opening the Duskin Laboratory, a collaboration space connecting Duskin and people outside the Company to create new value, and starting testing of the Duskin Wash laundry service.

#### Duskin Wash Initiatives

##### Duskin Wash test unit opened to establish a market for the laundry service

On October 1, 2019, we opened a test site for the Duskin Wash laundry service in Suita City, Osaka Prefecture, as a new business to help customers reduce the time and labor spent on laundry in daily life and reduce their housework burden.

The laundry service includes washing, drying, folding of water washable laundry, and then returning it to customers. Coin-operated laundry machines are also set up on the premises. Membership at a flat rate is available. Duskin Wash is cultivating demand from child-rearing families, singles living alone, and seniors.



## Business Services

### Updates on the Medium-Term Management Policy 2018

Business Services are evolving from the conventional sales approach by individual product or service divisions to a business-partner type sales approach. The business-partner type approach provides comprehensive sanitary management know-how to the customer's entire facility, in response to the growing interest and demand from restaurants and food-processing plants. As such, we have focused on developing Hygiene Masters, specialists in sanitary management in professional kitchens. As at the end of March 2020, there were 1,668 Hygiene Masters nationwide. This has strengthened the collaboration among the Dust Control Business (residential and commercial mats and mops, air purifiers, hand sanitizers, sanitary management products), Service Master (air-conditioner cleaning and professional cleaning using specialized equipment), Terminix (pest control and comprehensive hygiene management), and Uniform Service (sales and leasing, regular cleaning services, and management of uniforms). This reinforced cooperation has resulted in better services. With the impact of COVID 19 raising the need for sanitary management, our Hygiene Masters are expected to play a more active role for our commercial customers.

#### Evolving to a service provider with sanitation expertise

##### Our Hygiene Masters' Proposal to identify, improve and maintain sanitary environment at customers' facilities

**1 To identify:** Example of service – Wipe-and-inspect service  
The wipe-and-inspect service involves checking for microorganisms that stick to equipment, utensils, and workers' fingers. By identifying areas where cleaning is inadequate, customers can manage their microbial environment more reliably than before.

**2 To improve:** Example of service – Pest control service  
We exterminate and prevent pests in restaurants and offices by environmentally friendly methods, not relying only on chemicals.

We provide professional regular management services to ensure a clean environment for customers.

**3 To maintain:** Example of service – Uniform service  
We provide clean uniforms, which are the basis of sanitation management, combined with full support using the rental status sheet, uniform labels and tags.  
Example of product: Regular rental of air purifiers and disinfection products



#### Sustainable Topics » A recycling-oriented business model in the Dust Control Business

##### Mop and mat rental

Based on the concept of reusing products until their end of usable life



Company-owned and subsidiaries	13 plants
Franchised laundry plants	32 plants
Total	45 plants

Company-owned/subsidiary sites	92 sites
FC sites	1,819 sites
Total	1,911 sites

Sales representatives	Approximately 63,000
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Residential market customers	Approximately 4.7 million households
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Commercial market customers	Approximately 1.2 million
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Includes plants only for washing, or only for logistics

##### 1 A robust nationwide production and sales framework

To secure a recycling-oriented business model on a nationwide scale requires putting into place a framework of plants and to purchase materials for rental products, not to mention the time and costs associated with building an organization of sales representatives that will cover the entire country. Few can compete against this.

##### 2 A robust customer base

Our strongpoint is having a broad customer base that we can approach for face-to-face sales. Our customer base in the residential market is particularly solid.



## Care Service Businesses

### Updates on the Medium-Term Management Policy 2018

The Care Service Businesses have high market growth potential, and our business in this sector also continues to thrive. We aim to maximize the customer base by expanding our business through aggressive investment and proactive proposals to customers (homes and business sites). To that end, we are concentrating not only on keeping pace with the speed of the market's growth but also on cross-sectional businesses to realize comprehensive services that are in tune with each customer's daily rhythm for the residential market and comprehensive hygiene management know-how for facilities for commercial customers. We are also strengthening our service system to meet this growing demand.

### Initiatives on Franchise Development and Recruitment for Care Service

Traditionally, we have mainly targeted our existing franchise owners to join the Care Service Businesses. In the Medium-Term Management Policy 2018, however, the target has expanded to companies and individuals outside the Duskin franchise system. To encourage individuals to join the Care Service franchise, we have made some revisions to the franchise package. Another move has been to exhibit at franchise expositions. Under the capital and business alliance agreement with NAC, our largest franchisee in the Dust Control Business, new office openings have accelerated. As a result, the number of Care Service Businesses sites is steadily increasing (refer to the graph on page 17).

### Development of a New Urban Office Package

Since customers generally do not visit our Care Service Businesses offices, we have traditionally located Care Service offices in the suburbs, where rents are low. Staff members drive from the office to the customers' homes or offices in urban areas with company cars, but this has been creating problems with travel and staff recruitment. As a test case to address these problems, we opened a new office in a prime location, in line with the Urban New Office Package. In this test, staff travel to customers' homes or offices by electric bicycle, or by taxi using a ride-hailing or ride-sharing app. We will continue with further testing in the rapidly changing metropolitan market.

### Acceptance of Non-Japanese Nationals as Housekeeping Service Workers in the National Strategic Special Zones Project

Three years have passed since we entered the Acceptance of Non-Japanese Nationals as Housekeeping Service Workers project in the National Strategic Special Zones in Tokyo, Osaka and Kanagawa. As of the end of March 2020, 47 people from the Philippines have been employed as housekeeping service crews. They work in company-owned offices mainly in Tokyo, where demand for home cleaning and helper services is expanding. This is helping to mitigate the staff shortage.

### Duskin Staff Bank Addresses the Staff Shortage at Care Service Businesses Offices

As a measure to solve the staff shortage, we have opened Duskin Staff Bank, Duskin's recruitment website, to augment recruiting by franchisees themselves. We encourage franchisees to use this website to find new staff. This website is unique because it is designed exclusively to hire cleaning service workers—something exceptionally rare in the job-search industry. Result-based fees for advertising are charged to franchisees only after 30 days of an applicant's successful employment. This service has been welcomed by franchisees with high turnover rate, and as most operators in the cleaning industry face the same challenge, it is helping to reduce the shortage of cleaning staff.

## Senior Care Businesses

### Updates on the Medium-Term Management Policy 2018

Rentals and sales of nursing-care and assistive devices by the Health Rent Business continue to grow steadily. We will work more closely with franchisees with a goal to be an assistive device counselor who meet the needs of each user and gain more trust of Care Managers, a source of user referrals.

In addition to its basic policy of expanding our ability to provide services to more customers, the Life Care Business (support services for seniors) is working harder than ever before on marketing activities to spread brand recognition of Duskin Life Care. The business is also improving our technology and upgrading knowledge to meet the diverse needs of customers and their families.

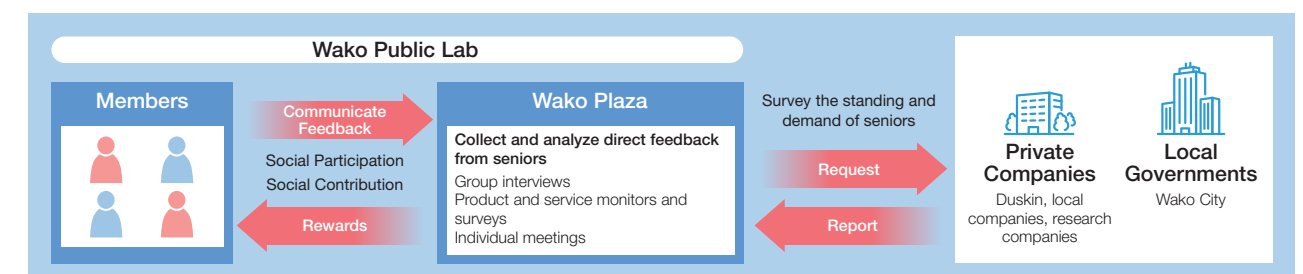
### Health Rent Provides Assistive Devices and Other Support for the Well-Being of Seniors

The Health Rent Business rents out and sells nursing-care and assistive devices to support seniors from a nationwide network of 160 offices from Hokkaido to Okinawa (as of the end of March 2020). We visit users of our products every three months, and during these visits we check to ensure the products or devices best suit their current condition. These periodic visits with users enable us to provide them with safe and reliable products and share information with the Care Managers, who refer users to us. Satisfying the expectations of both users and Care Managers is a top priority.



### In Collaboration with Wako City, Saitama, Wako Iki-iki Life Service Plaza Launched the Regional Collaborative Project to Promote Life-long Activity, Supported by the Ministry of Health, Labour and Welfare

Since April 2019, Wako Iki-iki Life Service Plaza has recruited seniors aged 65 and over as members of the Wako Public Lab, and more than 500 people have registered. The Plaza hosts activities and events on behalf of local companies, including Duskin, for product testing or monitoring, questionnaire-based surveys, group interviews, and other activities to collect feedback and opinions from seniors participating in these activities. These initiatives also help to motivate seniors to participate in society. Wako City has rated the project highly, and these initiatives will continue under it over the next three years.





# Food Group

To celebrate Mister Donut’s 50th anniversary, we are endeavoring to surge ahead like never before.

Tetsuya Wada  
Director & COO  
Food Group



Since January 27, 1970, the day Duskin decided to introduce the Mister Donut business to Japan, we have aimed to provide places where people can get together and enjoy a variety of delicious foods including donuts, pies, muffins, and dim sum. And thanks to everyone, this year marked the 50th anniversary in business.

To make sure Mister Donut continues to be a place everyone loves to visit, we have created a brand slogan: “Something good’s gonna happen. Mister Donut.” Our goal is to provide shops that every customer can drop into at any time of day. As a trigger to visit, we are actively pushing the MISDO Meets initiative, which was jointly developed by Gion Tsujiri and Toshi Yoroizuka, and promoting seasonal products during the current period as well. In terms of shop development, we will begin testing labor-saving measures in Tokyo and Osaka shops with the aim of reducing the labor force by about 50% to improve shop efficiency.

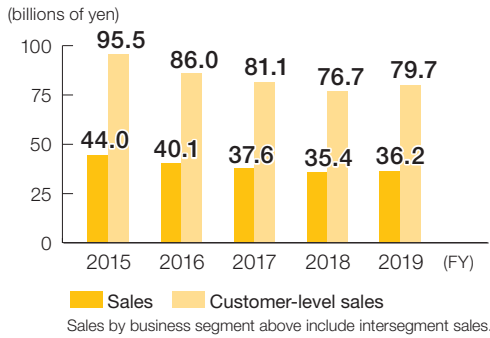
With the spread of the COVID-19 pandemic, sales of Food Group businesses dropped in the first quarter ending on March 31, 2021 due to shortened business hours and temporary closure of the shops. The management environment in each food business is severe because it is uncertain when the epidemic will be eradicated. While sales from eating in shops have fallen substantially, Mister Donut has increased the number of purchased items per customer and the number of customers who take out because takeout demand has risen. To respond to such changes in the market, we will initiate unprecedented schemes that reach beyond existing ways of thinking.

In FY2020, we will redouble our efforts to surpass our past performance with the theme of “Excel above and beyond.” We are committed to delivering satisfying results to celebrate Mister Donut’s years in Japan.

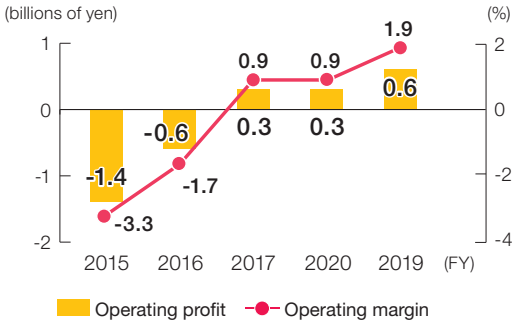
## Results of FY2019

Food Group’s flagship business, Mister Donut, reduced the number of shops in operation as it continued to close under-performing shops. The total customer-level sales from all shops increased during the fourth quarter over the previous year despite the ongoing adverse effects of the COVID-19 pandemic, partly because new products were highly accepted, which augmented the average sales of shops in operation.

### Sales\* and Customer-Level Sales



### Operating Profit and Operating Margin



The Mister Donut business continued to focus on the MISDO Meets initiative. Products jointly developed with companies and brands using leading techniques and high-quality materials including Kyoto green tea specialty brand Gion Tsujiri, well-known patisserie Mon Cher, and the world’s top pastry chef PIERRE HERME, gained popularity and contributed to increased sales.

Also, the dough used for long-term basic products such as Old Fashion, Chocolate, Pon De Ring, and French Cruller were refined to further improve taste. Moreover, the Tapioca Drink, which was introduced as a drink and dessert menu item to drive demand during the slower summer period, stayed strong from April through to the end of the year. Three other initiatives proved very popular and contributed significantly to increased sales: MISDO Pokemon Donut, a holiday season collaboration with Pocket Monsters; MISDO de Party Chu Collection, which was rolled out with popular characters; and MISDO Lucky Bags 2020.

Although sales from Katsu & Katsu, a restaurant chain specializing in pork cutlets, maintained the same sales level as the previous year, other businesses in Food Group including Bakery Factory, a suburban bakery chain; The Chiffon & Spoon, which specializes in chiffon cakes; and Pie Face, a chain of pie specialty shops, experienced lower sales due to the consumption tax hike, reduced numbers of shops, and the COVID-19 pandemic.

### Customer-Level Sales (millions of yen)

	2015	2016	2017	2018	2019
Mister Donut (domestic)	91,538	81,814	77,957	74,018	77,198
Katsu & Katsu	1,149	1,397	1,670	1,796	1,783
Bakery Factory	339	344	330	302	301
The Chiffon & Spoon	190	517	393	291	176
Pie Face	141	329	295	300	237
Other	2,192	1,657	503	34	19
Food Group Total	95,549	86,058	81,148	76,741	79,714

## Risks and Opportunities

Diversification of the restaurant and take-out meal markets have expanded business opportunities. The key to success is how we respond to new competitions from different sectors, improved product quality at convenience stores and mass-merchandise outlets, and new lifestyles. Our solid foundation of an established franchised network with over 900 outlets makes our brand and sales force exceptionally competitive.



Updates on the Medium-Term Management Policy 2018

The Mister Donut business has marked its 50th anniversary since opening in Japan, and over this time we have created a new food culture with new product concepts including oven-baked items and dim sum. We are determined to continue our endeavors in innovative ways to deliver Mister Donut products and services that more and more customers will love. As part of our efforts, we sell value-added products to increase the frequency of customer visits. We also have used reusable pottery and glass tableware since 1974, and introduced paid plastic shopping bags on April 1, 2020. Furthermore, we have started contributing our products to the food bank. Mister Donut is also accelerating new shop development and remodeling while establishing new business formats that respond to customer needs. Our goals for future engagement focus not on motivating customers to visit shops, but on bringing Mister Donut closer to customers.

Results of FY2019

Duskin Kyoeki Co., Ltd. (a leasing and insurance agency) and Duskin Healthcare Co., Ltd. (which provides management services for medical institutions), both domestic consolidated subsidiaries, recorded higher sales.

Among the overseas consolidated subsidiaries, sales increased at Duskin Shanghai Co., Ltd., which operates a dust control business in Shanghai, China. Sales by the Big Apple Worldwide Holdings Sdn. Bhd., which operates donut businesses primarily in Malaysia, were lower due to a decline in sales at existing shops. As a result, the total sales of consolidated subsidiaries outside Japan were lower.

Customer-level sales outside Japan in direct-selling businesses exceeded those of the previous year in all countries and regions, specifically Taiwan, China (Shanghai), and South Korea. Whereas the Mister Donut business in Taiwan maintained the previous year's performance, sales in China (Shanghai) and Thailand declined, whereas sales in the Philippines and Indonesia increased steadily. However, Big Apple recorded lower sales than in the previous year.

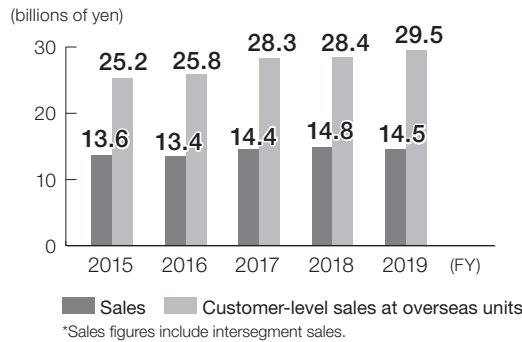
Updates on the Medium-Term Management Policy 2018

Despite the intense competition Duskin Healthcare Co., Ltd. has faced in the medical institution cleaning market, we expect demand to grow. In preparing to better respond to this increased demand, we will focus on securing a workforce and improving service quality to achieve higher profitability.

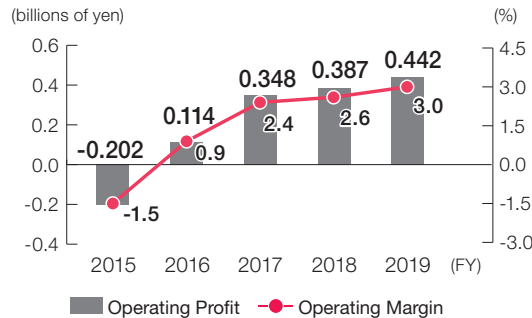
As a part of new business development, we have launched a frozen bento service for hospital breakfasts. This new service has reduced the burden on hospital employees because there is no need to wash dishes or arrange the food. Moreover the variety of tasty choices has improved patient satisfaction. We will continue to provide this service as a way to boost sales into the future.

We saw the growth in dust control business overseas and with cleaning and technical services in Taiwan. In addition, new customers in the commercial market for dust control are increasing steadily in Shanghai, China. Considering that the Mister Donut business in Indonesia is expanding the rollout of donut showcases in convenience stores, we need to continue our focus on localized business development in each market.

Sales\* and Overseas Chain Customer-Level Sales



Operating Profit and Operating Margin



Customer-Level Sales (millions of yen)

		2015	2016	2017	2018	2019
Overseas	Dust Control (overseas)	3,923	4,222	4,809	5,027	5,439
	Mister Donut (overseas)	14,206	14,328	14,372	13,925	14,450
	Big Apple	-	-	1,660	1,519	1,290
Duskin Healthcare		7,165	7,304	7,535	7,968	8,340
Other Businesses total		25,295	25,855	28,378	28,440	29,521

Updates on the Medium-Term Management Policy 2018

Realize “Something good's gonna happen. Mister Donut.”

① Opportunities for low-frequency customers

- Launch the MISDO Meets initiative
- Expand beverage menu items
- Continued campaigns with collaborators



Gion Tsujiri and Toshi Yoroizuka



TAIWAN KACHA Fruit Tea

③ Opportunities for light foods and meals

- Develop MISDO Meals
- Introduce pizzas



② Secure medium- to high-frequency customers and create Mister Donut fans

- Improve basic products
- Develop a variety of basic donut products
- Introduce set-menu items for kids and parents



Improve basic donut products



Launched Pon De Bread, a product made from yeast dough in June 2020

④ Activities for global environmental protection

- Use less plastic
  - Do away with plastic straws
  - Reusable shopping bags and charged plastic shopping bags
- Reduce food waste

Eco-frien-DOUGH-ly activities



Ceased using plastic straws for major beverage items, and introduced paid plastic shopping bags while encouraging reusable shopping bags



## Response to Novel Coronavirus (COVID-19) Infections

### Basic Policy

Prioritizing the safety of our customers and employees, we will take measures to prevent the spread of infections and ensure safety, while contributing to society.

1. We consider it our social responsibility to continue to provide our cleaning- and sanitation-related products, various services such as cleaning and sterilization, and delicious donuts that our customers can take home.
2. As a franchise headquarters, we will back up our franchisees to sustain and maintain more than 7,000 shops and sales units nationwide.
3. Its mainstay business being in the area of sanitation management, Duskin aims to develop and propose products and services that will meet new needs by proactively confronting such situations.

The fiscal year ending March 31, 2021 (FY2020) is the final year of Medium-Term Management Policy 2018 and marks an important time to tackle the remaining challenges. Although the future of the current situation is unclear, we recognize that thorough cost management and cash flow management are essential while prioritizing and implementing the necessary measures. Responding to work-style reform is also a pressing issue, and we believe that it is an urgent task to raise employee awareness and improve the working environment.

In the meantime, in accordance with changes in its business environment, the company, which considers the area of sanitation management as its mainstay business, aims to develop and propose products and services that meet new needs by taking a positive view of the current situation.

### Major Goals of Direct Selling Group

1. Enhanced focus on proposing and providing products and services in the area of sanitation management, aiming to develop and propose products and services that meet new needs
2. Accelerating the pace of building a solid structure to provide cleaning and technical services in metropolitan areas
3. Strengthening non-face-to-face contact points and encouraging cashless payments in the residential market



Sanitation management service



Bedbug extermination service



Ozone-based sterilization and deodorization service



Provision of cleaning and technical services in metropolitan areas (services that do not use cars)

### Major Goals of Food Group

1. Improving shop environments so customers can visit with peace of mind. This includes installing showcase doors in all cafeteria-style shops during the current fiscal year (In cafeteria-style shops, customers select their donuts from open showcases.)
2. Increasing both sanitation and efficiency (labor saving, efficiency and sanitation enhancements by placing of orders via touch panel)
3. Start testing delivery service



Installation of showcase doors



Touchscreen ordering test



## Foundation for Value Creation

## Research & Development

50 years ago, Duskin revolutionized the world of cleaning with the release of a chemically treated dust cloth that enabled dusting without water.

Our enduring mission is to continue researching the science of clean.

### Duskin Research & Development Policy

Taking a consumer-first approach to research and development in the cleaning and sanitation sectors, we are committed to acting on the following five pledges to provide the community with healthy and comfortable lifestyles.

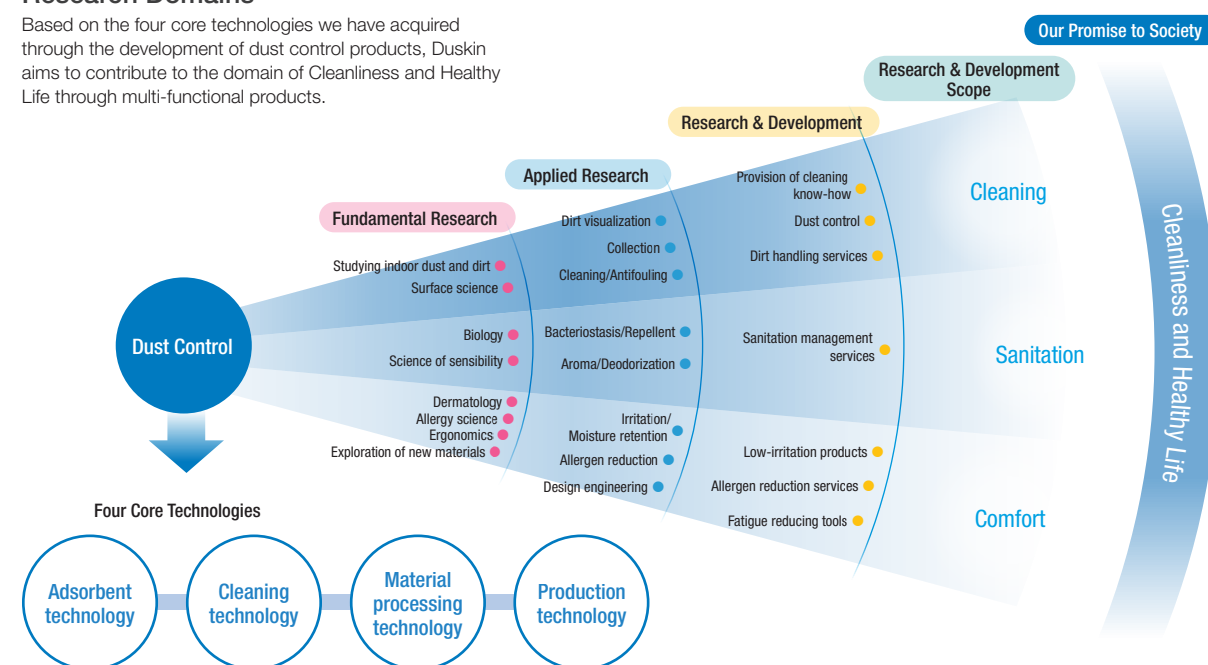
1. We determine priorities for research and development by identifying social trends and needs in residential markets and analyzing customer issues and concerns.
2. We conduct research and technological development in terms of novelty, inventiveness and originality.
3. We develop products that can ensure safety and security for society, people and nature.
4. We create products with resource-saving raw materials that contribute to environmental conservation.
5. We continuously improve products after launch to provide customers with optimal functionality that satisfies their expectations.

### Policy for Research & Development Initiative

We pursue the integration of our original technologies with other leading ones from around the world. In aiming to serve as a hub for connecting such technologies to customer needs, Duskin will continue to develop innovative products and services with our refined technologies and expertise.

#### Research Domains

Based on the four core technologies we have acquired through the development of dust control products, Duskin aims to contribute to the domain of Cleanliness and Healthy Life through multi-functional products.



#### Research & Development for realizing a sustainable society

##### Policy for SDGs Initiative

Energy-savings and Renewable Energy, Climate Change Measures, Recycling-Oriented Society



#### About the Research & Development Center

Our living environment has been undergoing great changes, reflected in the increase of single-person households. As for corporations, they are facing a change in work patterns arising from the labor shortage and reforms to work practices—changes that have made it difficult for them to maintain sanitation in their workplace environments. Furthermore, shifts in lifestyles and social environments have been affecting the human body, triggering an increase in disorders such as allergies.

Moreover, we witnessed the emergence and spread of the novel coronavirus infectious disease (COVID-19) during the third quarter of FY2019. Taking these societal changes into account, we are promptly responding to diversified needs and requirements for more rigorous and frequent cleaning and disinfection at homes and workplaces.

Looking at the current environment and beyond, our Research & Development Center is committed to delivering experiences that enhance the comfort and health of our customers, while securing their safety. We will continue to devote ourselves to research and development that helps our business to further evolve into a provider of Daily Life Fine-Tuning Services.

#### Allergy Segment Research

Duskin has aimed to create clean environments through cleaning ever since our founding. Along with pursuing efficient means of reducing dust volumes, we have also advanced research into dust itself. In our research, we focus on the fact that some forms of dust can cause allergies, and have begun engaging in allergy counter-measure research under the themes of Dust and Healthy Life as well as Cleaning and Healthy Life.

#### Advancing DAP through Joint Research with Allergy Specialists

We are advancing the Duskin Allergy Control Plan (DAP) research project under the theme of Allergens as Part of Daily Life.



#### Research Results: Research papers

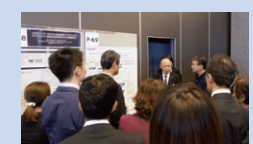
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- The Japanese Journal of Pediatric Allergy and Clinical Immunology, Vol. 30, No. 1, pp. 111-119, 2016  
The change in specific IgE to house dust mite after professional cleaning education on asthmatic children
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Effect of mite allergen reduction by professional cleaning education in asthmatic children's homes

#### Exhibitions

We participated in the exhibition zone of the 68th Annual Meeting of Japanese Society of Allergology from June 14 to 16, 2019 and the 56th Annual meeting of Japanese Society of Pediatric Allergy and Clinical Immunology from November 2 to 3, 2019, where we announced our results and introduced our lineup.



Annual Meeting of Japanese Society of Allergology



Annual meeting of Japanese Society of Pediatric Allergy and Clinical Immunology



Action on Climate Change

Basic Policy

The effects of extreme weather and climate change are intensifying and becoming more serious, and global solutions are required to mitigate climate change. Duskin is committed to contributing to solutions to help build a sustainable society through our environmental management initiatives and measures to achieve a low-carbon society.

Governance

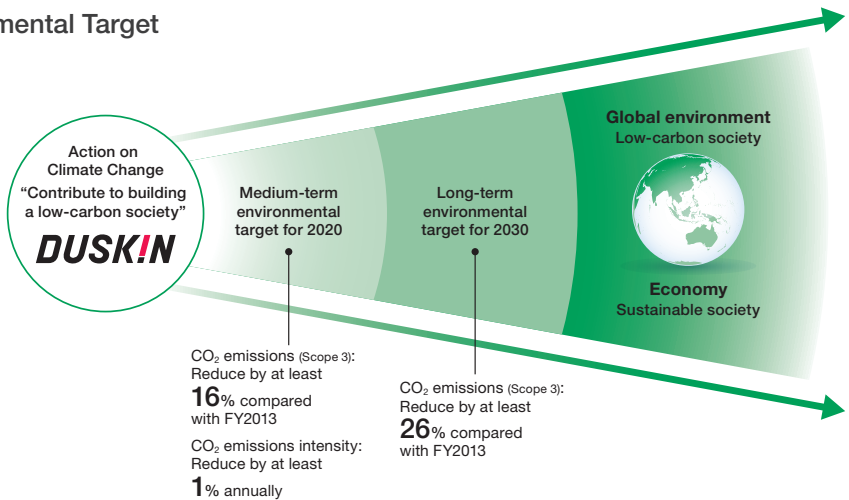
We established the CSR Committee, which consist of the Outside Directors, the Operating Officers, and the Standing Audit & Supervisory Board Members. This committee, serving as an advisory body to the Board of Directors, studies and deliberates the basic policies and key issues associated with climate change. We also established the Quality Assurance & Environment Committee, which determines environmental policies and guidelines for the entire company, and the Environmental Liaison Committee, which manages the progress of environmental policies, as sub-organizations under the CSR Committee. This structure helps the Board of Directors to identify and monitor actual risks and opportunities, and to enhance climate change-related governance.

Strategy

Duskin positions the risks and opportunities associated with climate change as critical management issues. In order to advance information disclosure based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), we classify and study climate-related risks as risk associated with the transition to a low-carbon economy and risk associated with the physical impacts of climate change, in line with the TCFD classifications.

Medium- to Long-Term Environmental Target

Duskin focuses on reducing greenhouse gases, with a goal of reducing CO<sub>2</sub> emissions at least 26% compared with FY2013 by 2030 as laid out in our long-term environmental vision.



Indicators and Targets

To fulfill our responsibilities as a Japanese company, Duskin is implementing energy-saving activities throughout the entire franchise chain. In terms of Scope 3, we are working to reduce CO<sub>2</sub> emissions with a target that is equal to or greater than the target stated by the government. At the same time, in terms of energy consumption within Scope 1 and Scope 2, we set and manage standard consumption rates (target values) every fiscal year based on the actual performance of each shops, offices and plants in steadily working to reduce the CO<sub>2</sub> emissions that are a cause of global warming.

CO<sub>2</sub> emission (t-CO<sub>2</sub>)

(FY)

	2013 (reference year)	2016	2017	2018	2019	Compared with 2013
Scope 1*	35,603	34,484	34,324	33,473	33,061	-7.1%
Scope 2*	32,471	27,655	31,092	29,856	27,780	-14.5%
Scope 3	498,991	456,019	395,197	373,619	394,036	-21.0%
Total	567,068	518,159	460,614	436,949	454,877	-19.8%

\*Duskin Group and franchised plants

Risk Management

We conducted a provisional climate change risk assessment, using a qualitative approach to evaluate financial implications that could significantly affect our businesses. Through carefully reviewing the results, we have identified the key drivers that could have a major impact on our business continuity.

Climate change related risks

	Category	External environmental changes	Key drivers	Impact on business	Financial impact
Transition risks	Policy, legal regulations	• Stronger GHG (greenhouse gas) emission regulations	• Higher carbon tax rates	• Higher tax costs	• Higher cost of product and service
	Technologies		• Progress in energy-saving technologies among competitors	• Delayed development of next-generation products (developed through manufacturer tie-ups)	• Lower profits
	Markets and reputation	• Higher market sensitivity to climate change	• Divestment (investment withdrawal) from companies that do not reduce GHG emissions	• Higher GHG emission reduction initiative costs	• Higher capital control and adjustment costs
Physical risks	Acute	• Higher average temperatures		• Higher flooding frequency at plants, shops and offices; higher power outage frequency	• Higher recovery costs
	Chronic	• Higher sea levels • New rainfall patterns	• Larger typhoons • Higher typhoons frequency	• Procurement and logistics channel disruptions • Increased number of employees standing by at home due to disasters	• Lower sales until recovery
		• Higher average temperatures	• Lower farm product (wheat, coffee, etc.) yields	• Higher raw material costs	• Higher cost of sales

Climate change related opportunities

	Category	External environmental changes	Key drivers	Impact on business	Financial impact
Opportunities	Resource efficiency	• More common use of next-generation automobiles	• Lower storage battery prices	• Lower total cost of vehicle maintenance	• Lower expenses
	Energy sources	• More common use of renewable energy device and technology	• Lower electricity costs	• Lower product and service costs	
	Markets	• New consumer preferences	• Greater demand for environmentally responsible products	• Greater demand for circular economy (recycling-oriented economy) products and services	• Higher profits

Future Initiatives: Scenario analysis

Duskin is reviewing these key drivers based on at least two scenarios for physical impacts and socioeconomic transition risks arising from climate change in the world from 2030 to 2050. We will quantitatively assess the potential financial impact on our businesses and develop the measures to address them.

Adopted Scenarios

- IPCC RCP 8.5 Scenario: Global average temperature rise of at least 4°C from pre-industrial levels
- IPCC SR 1.5 Scenario: Global average temperature rise kept below 1.5°C

Duskin is in accord with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) established by the Financial Stability Board (FSB) and aims to contribute to a sustainable society by analyzing the risks and opportunities related to climate change and disclosing information proactively.



Basic Policy

Based on our Environmental Philosophy, established in 1998, Duskin has defined our Environmental Policy as “striving to achieve the joint objective of engaging in sound business activities and environmental conservation to provide products and services that are safe, reliable, and environmentally friendly throughout each phase of their lifespan, from production to after-use.”

We engage in business activities that reduce negative impacts on the environment whenever possible as part of designing, development and selection of products and services; plant operation; distribution, sales and promotional activities; and offices, facilities and equipment.

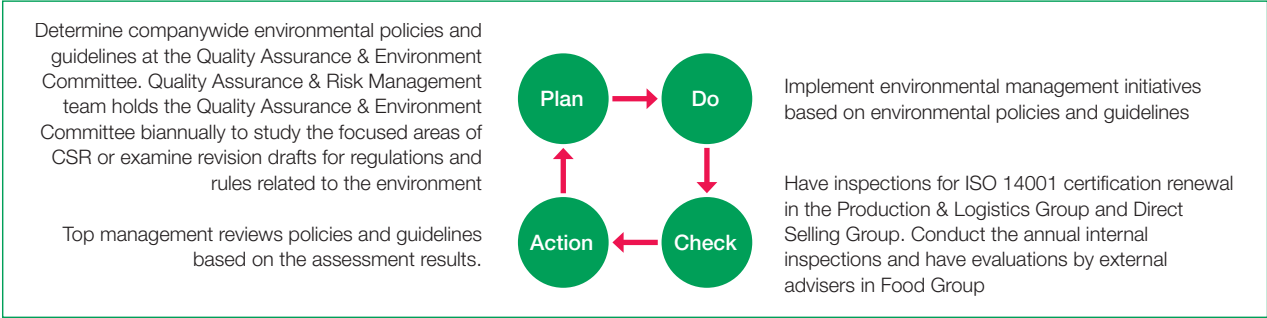
Environmental Management System (EMS)

Duskin's Direct Selling Group and Production & Logistics Group are putting environmental management initiatives into action in line with ISO 14001. Its approach is based on the concept Plan-Do-Check-Act (PDCA).

Based on our EMS, we conduct ongoing inspections every year and renewal inspections every three years. During FY2019, Duskin Group complied with environmental regulations.

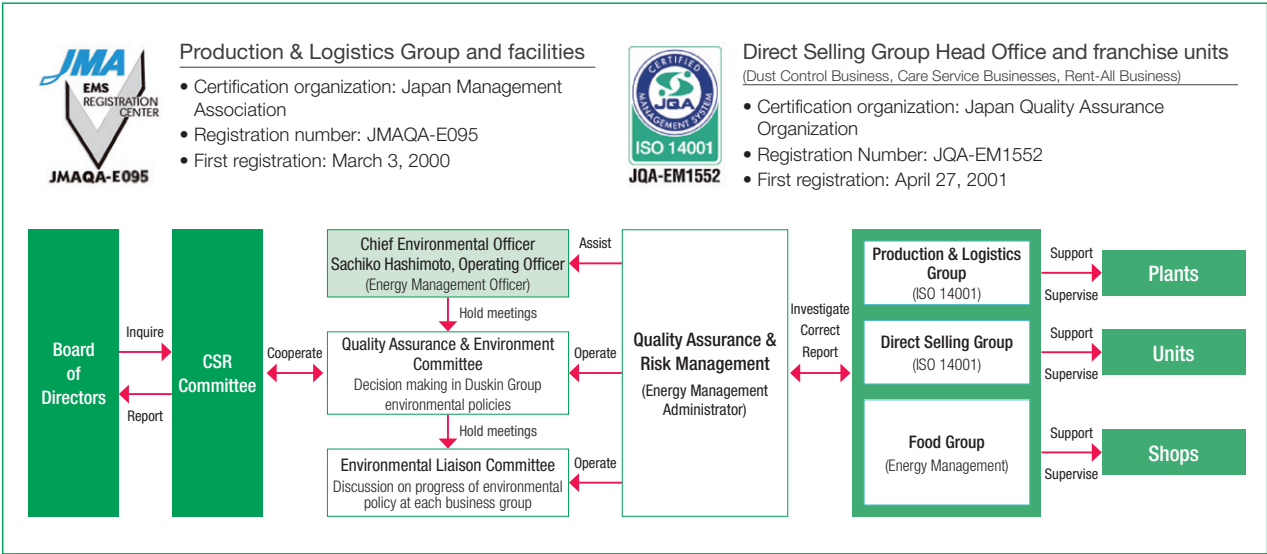
Initial environmental training sessions are conducted as part of an educational program for our new employees. By raising environmental awareness, we strive to develop employees who work to conserve the environment throughout all their business activities.

PDCA Cycle-Based Ongoing Improvements



Environmental Management Structure

One of the Operating Officers serves as the Chief Environmental Officer under the Environmental Management Structure, who holds the Quality Assurance & Environment Committee. The committee studies the focused areas of CSR related to the environment and makes proposals to the CSR Committee. It also studies revision drafts for regulations and rules related to the environment and makes proposals to the Board of Directors.



Endeavors for a Recycling-Oriented Society

Duskin established a system for renting cleaning tools in Japan. As reflected in this rental system, Duskin operates its business based on the idea of repeated use, shared use, reduction of waste and disposal. To contribute to the creation of a recycling-oriented society, we will make effective use of limited resources while at the same time engaging in the 4Rs (Refuse, Reduce, Reuse and Recycle) throughout the entire product life cycle.

Mister Donut: Reducing food loss, electricity consumption and chlorofluorocarbon emissions

Because we are making use of Earth's resources, we have continuously engaged in endeavors to save them. This year in particular, which marks our 50th anniversary, Mister Donut will further evolve our approach to environmental conservation.

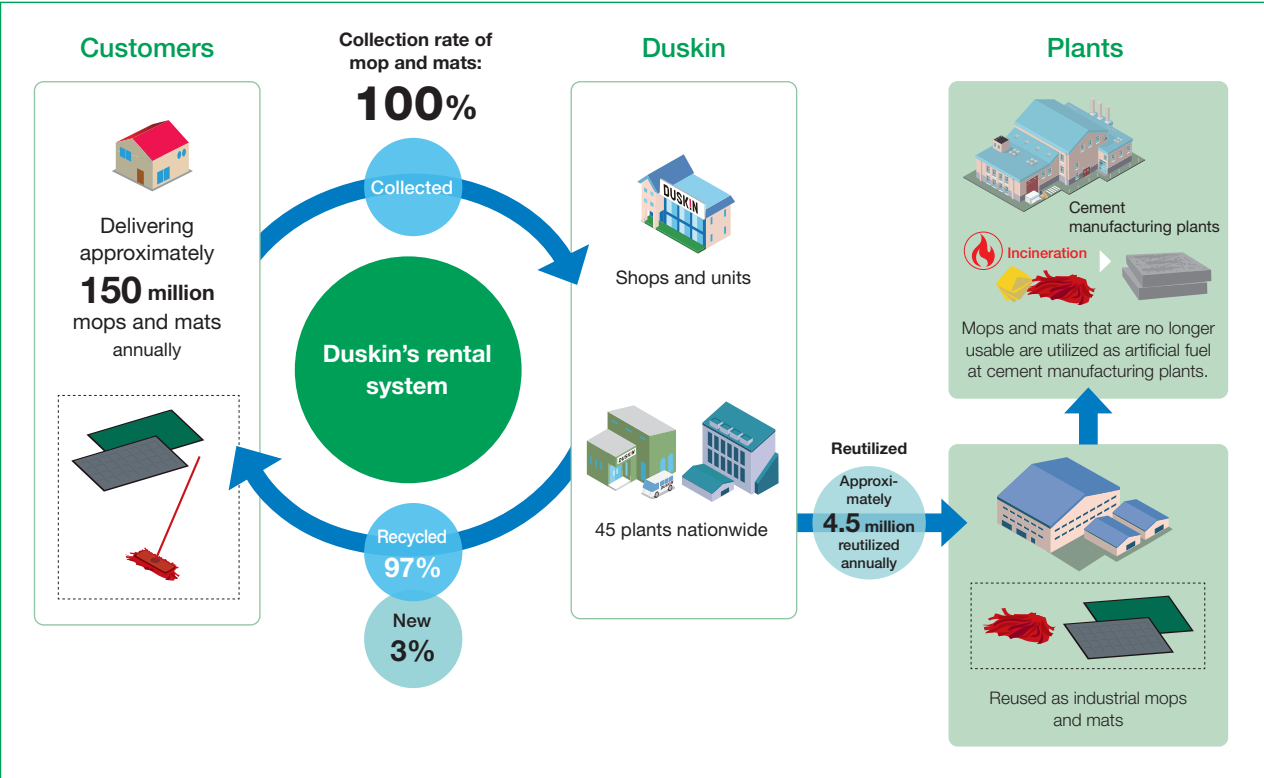
- Free plastic bags service terminated as of April 1, 2020.
- Recycling unsold donuts at certain shops into animal feed; turning methane produced after decomposing and fermenting the donuts, into biogas for use as electric energy
- Used frying oil recycled 100% into fuel for boilers at our laundry plants where mops and mats are washed and reprocessed
- A portion of raw materials provided to food banks
- Reusable ceramic and glass tableware provided since 1974 for customers dining in-store Excluding certain shops
- Emissions reduced by monitoring and managing air conditioners and freezers that use chlorofluorocarbons through thoroughgoing periodic inspections
- Original equipment performance maintained through systematic cleaning and maintenance at each shop. Energy management implemented and reduced the consumption of electric power



Direct Selling Group: Reuse of mop and mat products

All used items are collected from customers, and 97% of the collected items are processed 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.

Duskin's Reuse and Recycling System





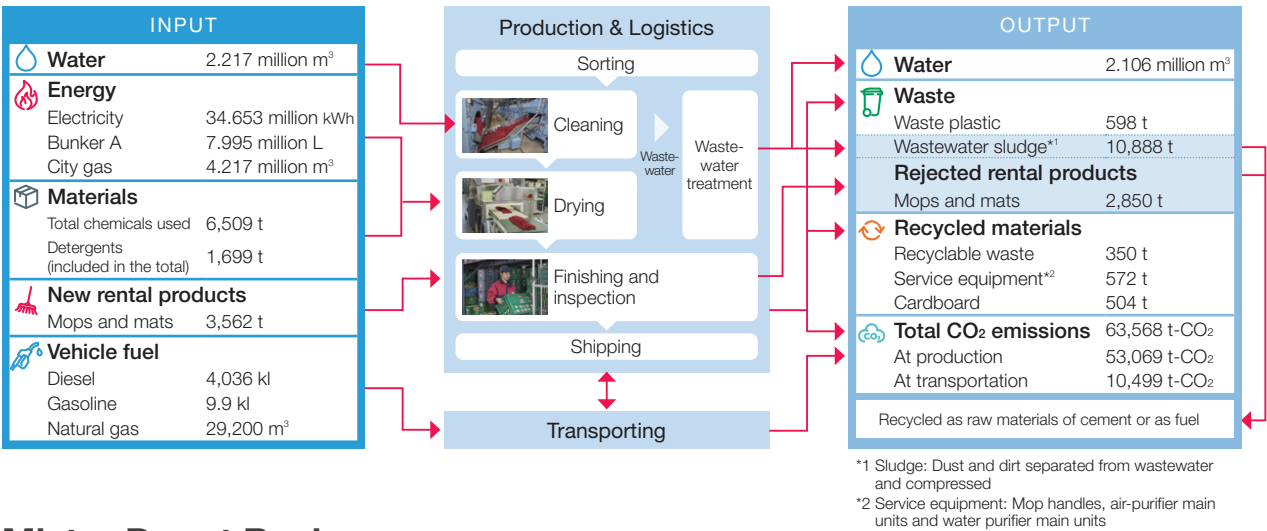


Material Balance

Input and output of resources in business activities (FY2019)

Material Balance refers to the input of energy and resources used in business activities, and the output of substances produced through the activities. Duskin focuses on grasping the overall environmental loads in the lifecycle of our rental products as well as in other business activities.

Dust Control Business



Mister Donut Business



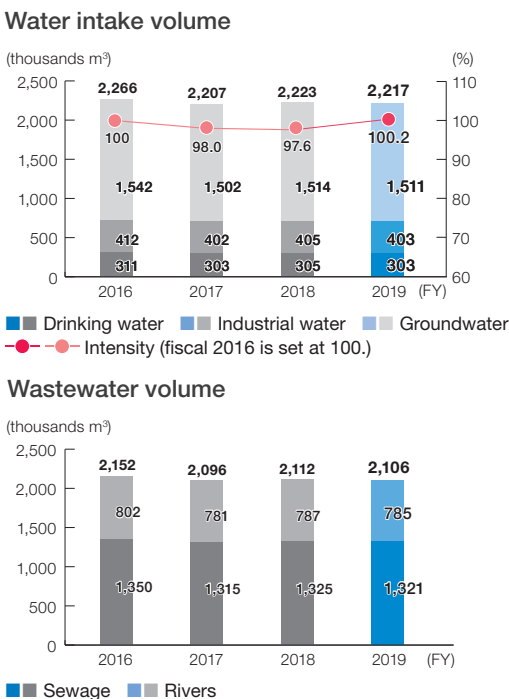
Conservation and Effective Use of Water Resources

Water shortage is aggregating on a global scale. It also presents the risk of negative impacts on the business continuity, so reducing water use and reusing water is important. Although Japan is not yet faced with chronic water shortage, we see this is not unrelated with Duskin Group.

At Duskin, a Founder's quote of "Return what we borrow from nature to its original state" has been passed down since our founding, and serves as our basic philosophy for conserving water resources.

Water Use Reduction Initiatives

Duskin plants use large amounts of water in the laundry process for mops and mats. Therefore, we apply standards for the volume of water used during the laundry process as a reference value for our plants and strive to manage and reduce water intake volumes.



Supply Chain

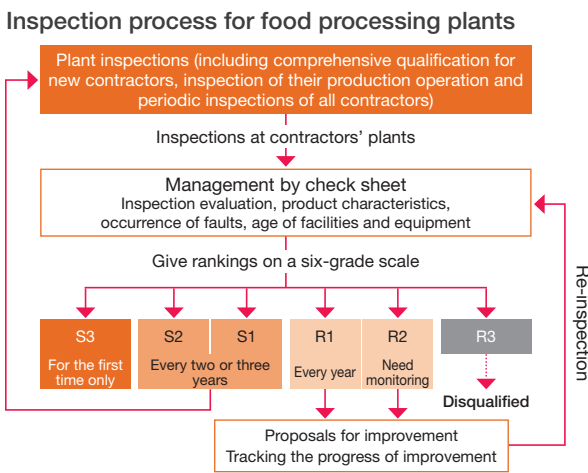


Basic Policy

Duskin focuses on mutual understanding and trust-based relationships in our business practices with suppliers both domestic and overseas, based on the principle of good faith, honesty, fairness, and equal opportunity, as well as transparent transactions to comply with the social code and statutory regulations.

Inspections of Contracted Food Processing Plants

For the contracted plants manufacturing our products and raw materials, 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, as part of our efforts for continuous improvement. Our inspection specialists for food processing plants conduct extensive quality inspections, including 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. During FY2019, we conducted first-time inspections at 14 plants (including two overseas plants) and periodic inspections at 38 plants.



Supply Chain Continuity Planning

Building a strong supply chain with disaster resilience

With the higher frequency of heavy rains, typhoons, and other extremely severe disasters in recent years, building a strong supply chain with disaster resilience has become ever more important. In preparation for the risk of temporary product supply disruptions due to damage to a Duskin product manufacturer from natural disasters, we have developed a contingency plan for the mainstay products in our dust control business, which would incur a particularly large impact.

Continuity planning policy

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

Sustainable Procurement

Negative impacts on the environment arising from the use of palm oil refined from oil palm fruit has been a growing concern, because the development of oil palm plantations destroys tropical rainforests. When Duskin uses these kinds of raw materials, we establish a procurement network with the partnered suppliers to ensure fair and legitimate business practices.

In addition to three international standards – namely ISO 9001 Quality Management Systems, ISO 22000 Food Safety Management Systems, and ISO 14001 Environmental Management Systems, all our partner plants have obtained HACCP certification.

Apart from these initiatives, the plants also focus on hygiene and sanitation control through different initiatives on a monthly basis, such as the 5S activities: Sort,

Set-in-order, Shine, Sanitation, and Sustain discipline, as well as safety and sanitation training programs.

Furthermore, Duskin has established voluntarily imposed standards for waste-water treatment that are stricter than those set by governments. The plants collect and retain data from voluntary inspections to monitor water quality as part of their endeavors to preserve the natural environment.



Oil palm plantation



Periodic inspection at an oil production plant

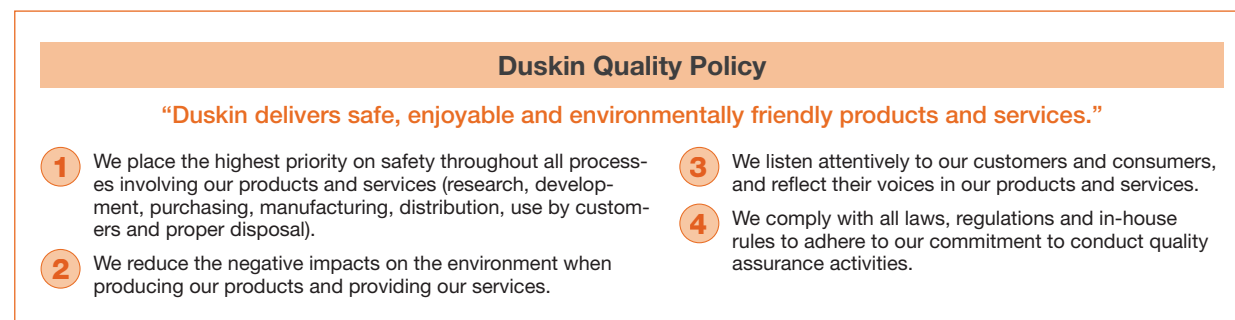
# Quality

## Basic Policy

To win customers' trust, we strive to establish and ensure a complete quality control system. We pursue safe, reliable and environmentally friendly products and services grounded in our quality policy.

## Duskin Quality Policy

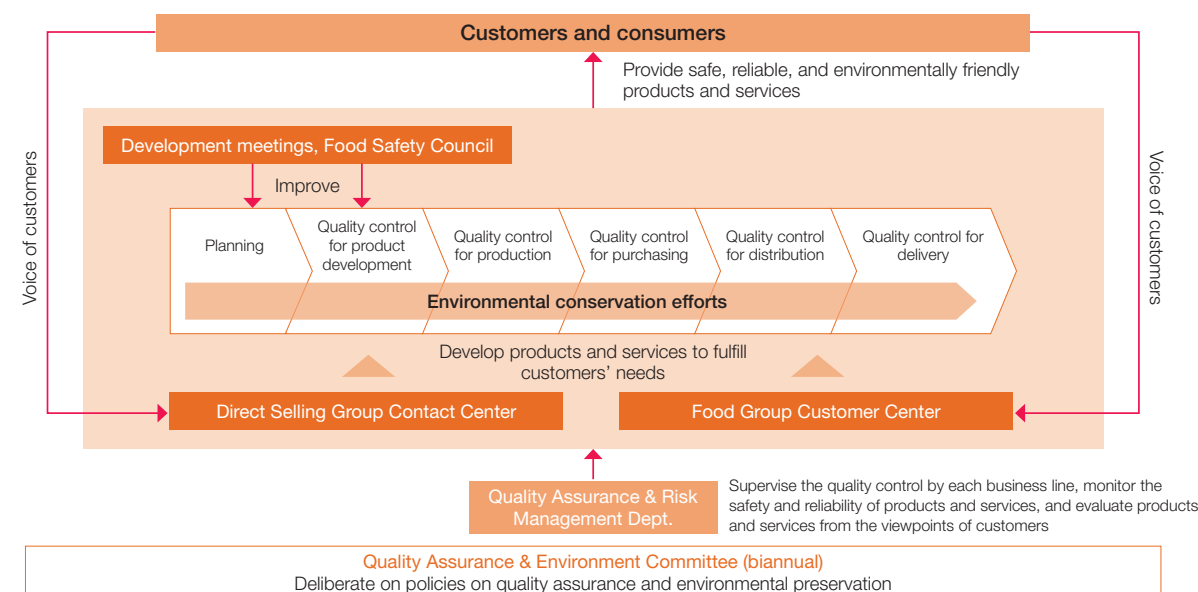
Duskin offers various products and services from cleaning, sanitation products to food service. In our effort to ensure the quality of the products and services, we created our Quality Policy in 2009. Based on this policy, we define our quality standards and develop environmentally responsible products and services.



## Quality Assurance Framework

To ensure that all our products and services are safe and reliable, we have established a quality assurance framework that covers all products from development to after launch. Our Quality Assurance & Risk Management team has two important functions: to supervise the quality control 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 on 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 Food Safety Council. Following a launch, we conduct quality checks on products in distribution.



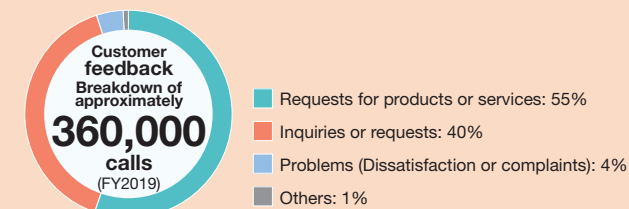
## Initiatives for Reflecting the Voice of Our Customers

Duskin listens to the voices of customers and builds business models that flexibly respond to the shifts in lifestyles and social situations, and provides products and services that meet evolving customer needs.

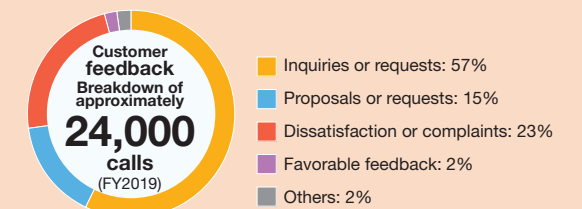
### Call Center Operation

The Duskin Contact Center and Mister Donut Customer Center listen to customer opinions and requests about our products and services. When receiving calls, our staff attend to each caller thankfully because we know it's a valuable opportunity to learn their opinions and answer questions, and always strive to give a clear response to each inquiry. As we make it a rule to keep call waiting times as short as possible, staffing levels are adjusted flexibly based on statistical prediction by day and time of the week. Content of the conversations between operators and customers is promptly transferred to the person in charge of each business division to review what is needed, leading to better products and services.

### Duskin Contact Center



### Mister Donut Customer Center



### Duskin products for people who are often absent from home

We frequently hear from people who are often away from home during the day that they would like to use our products. Since our foundation, we have firmly maintained the system of visiting our customers and delivering products in person. We believe we can deliver products from the heart this way and get a chance to know how customers like the products when we collect them.



As the number of women working outside the home continues to escalate, a new form of rental service is needed in response to lifestyle changes. Return by Post Service is our solution, which has been launched nationwide. Our sales representatives deliver products to a customer's mailbox, and customers use the postal service to return used mops. This means even people who are often out during the day can use our rental service with ease.

### Fan Meetings

To hear the voices of customers in person, we hold meetings such as MISDO Fan Meetings and Duskin Fan Meetings for Direct Selling Group customers. They are great opportunities for our President to give a presentation on current efforts and initiatives, and for head office and regional office staff, franchise owners and their staff to gather valuable customer feedback and requests. Based on such invaluable information, Duskin will continue providing products and services that meet customer needs and reflect their voice.



A MISDO Fan Meeting



## Safety and Reliability

Contribution to SDGs ▶



### Direct Selling Group

#### Basic Policy

Our activities are based on our founder's philosophy: Let Us Sow the Seeds of Joy. This philosophy forms the core of our objectives: to serve people in their daily lives, to be of help to those who encounter us, and to grow ourselves. We always pay attention to safety and reliability at every stage of research, development, and maintenance so that our customers can use our products and services with peace in mind.

#### Safety and Reliability of Products and Services

##### Safety of Adsorbent

The reason why Duskin mops do not release captured dust is this: our uniquely developed mop heads are treated with adsorbent. They maintain their adsorbing effect during the regular four-week rental period, and contain antibacterial and antifungal agents to help prevent the growth of bacteria and fungi. To ensure that the treatment has no adverse effect on the human body, we have an independent third-party institute carry out safety tests on cases where the adsorbent could enter the mouth or eyes, or adhere to the skin.



Treatment with outstanding adsorption and safety features

##### Cleaning and Technical Services

When delivering services (cleaning, home helper, pest control, and regular plant and flower maintenance services), we ensure that all tools, equipment, and chemicals used by our individual staff members are safe and secure.



Safety check of equipment and chemicals

### Food Group

#### Basic Policy

As we place food safety above all else, we have set up an extensive quality standard that encompasses all stages of food development and provision right up to the point at which our customers finally taste it. We believe doing so can ensure safety, security, and our customers' peace of mind.

#### Food Safety and Reliability

##### Food Safety Council

Whenever we develop foods or modify their specifications, we hold a meeting of the Food Safety Council, which comprises product development departments, quality assurance departments and third-party bodies including food safety administrators, to ensure food safety. This ensures that safety is maintained in accordance with laws and ordinances, as well as company standards in all procedures and phases from verification of raw materials used, places of origin, legal compliance of additives, allergy notes, appropriateness of foreign-body removal processes, administration of residual agricultural chemicals and antibiotics, preservation test results of products and raw materials, administration of consigned manufacturing plants and distributors or warehouse operators, to handling of foods at sales locations.

## Local and Social Contributions

Contribution to SDGs ▶



#### Basic Policy

As a corporation and a member of local communities, we aim to be of more assistance to the communities of our customers. Duskin's various initiatives contribute to our local communities in line with our philosophy of Sowing the Seeds of Joy.

#### School Education Support Activities

In recognition of Duskin's efforts in supporting children's education, the company received a 2019 Award of Excellence, sponsored by the Ministry of Education, Culture, Sports, Science and Technology, for its endeavors as an enterprise that promotes experience-based learning activities.

##### Sow the Seeds of Cleanliness Classroom on-site lessons

In 2012, we started the Sow the Seeds of Cleanliness Classrooms, which are on-site lessons for elementary school students. In these lessons, we help children develop their potential to learn the importance of cleaning and how to use cleaning equipment through hands-on training.



A Sow the Seeds of Cleanliness Classroom on-site lesson

##### Improving Students' Cleaning Abilities seminar for teachers

Duskin conducts seminars 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.



#### Cleaning Activities for Local Communities

##### Clean Up My Town

Under its environmental slogan Sowing the Seeds of Ecological Responsibility for the Future, Duskin conducts a nationwide activity to pick up trash at local sites. Initiated in 2006, the campaign has attracted a total of 330,000 participants (as of March 31, 2020) and continues to collect trash.



A Clean Up My Town activity



#### Contributing to Prevention of "Special Fraud"

##### Manufacturing and renting custom-made mats

Our Prevention of Special Fraud Mats assist in protecting people from special types of fraud, which are a recurring nationwide problem. In cooperation with prefectural police, we enlighten and raise the public's awareness by proposing that our Prevention of Special Fraud Mats be placed at financial institutions. A total of more than 10,000 custom-made mats have been placed in front of automated teller machines at financial institutions and convenience stores in 45 of the prefectures and administrative divisions in Japan.



Example of custom-made mat installation

# Human Resources



## Basic Policy

Duskin believes that motivated and enthusiastic employees who are stimulated in their daily work are a prerequisite for our business to grow. With this idea in mind, we have programs and structures in place, including a system for promotion to permanent status that expands career opportunities for highly skilled and motivated people, and a re-employment system for mandatory retirees. We are creating an environment where employees take full advantage of their talent and experience. This policy is defined in the Duskin Code of Conduct.

### Hataraki-san (employees)

All employees are referred to as Hataraki-san, which means the people who make things easy for others around them. The Hataraki-san concept incorporates the philosophy of Duskin's Prayerful Management. Employees doing their best for others without thought of personal convenience are appreciated by others, and find a greater sense of accomplishment and fulfillment in life.

## Creating Comfortable Working Environments

### Work-Life Balance

To continue to Sow the Seeds of Joy for people and communities, Duskin believes balance between work and home life is important for the health of our employees. Accordingly, we have put various measures in place to reduce long work hours and create comfortable workplaces, aiming to keep the total work time per employee at below 1,850 hours annually. These measures include:

- Reporting on the actual situation of long working hours to a Director in charge
- Annual paid leave taken: 60%
- Holding a No Overtime Work Day at least once a month
- Turning off the lights at 6:00 p.m. at the Duskin head office building
- Implementing Four-Leaf-Clover Day Campaign (Leave the Office Early Day Campaign) on the last Friday of each month
- Leaving an eight-hour interval before the next shift



Kurumin certification, a symbol for companies supporting child rearing

Kurumin originates from the Japanese word "okurumi," a cloth to swaddle a baby.

In addition, Duskin has maintained Kurumin certification from the Ministry of Health, Labour and Welfare since 2016, demonstrating our commitment as an enterprise that supports our employees' childcare.

### System for promotion to permanent status

Duskin has a system for qualified non-career employees to change their paths to permanent career positions. Starting in FY2016, a new "area-specific specialist" course with limited transfers or changes within certain geographic areas was added to the permanent career category, expanding opportunities to obtain permanent career positions. In FY2018, aiming to leverage our human resources even more effectively, we improved the system that enables area-specific specialists to make course changes to the "area-specific career track" or "career track" within the permanent career category.

### Re-employment system for mandatory retirees

Due to Japan's declining birthrate and a rise in the aging population, the government is implementing initiatives to encourage senior citizens to participate in the labor market. Included in the initiatives is the hiring of people up to 70 years old to address labor shortages and increase the sustainability of the social security system. Duskin has a program in place that re-employs employees after the mandatory retirement age of 60. As a general rule, those employees are asked to continue duties in the department where they worked at the time they retired. This system leverages their experience, and enables them to both demonstrate their abilities and share their knowledge.

In FY2019, we rehired 69 employees who reached mandatory retirement age. Accompanying revisions to the Duskin pension plan in FY2019, we increased the base salary for rehired employees to increase their motivation and create an environment that encourages staff retention.

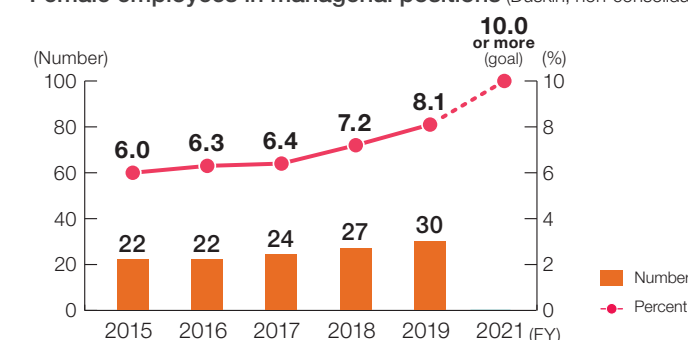
## Diversity and Inclusion

### Empowering Women in the Workplace

To enhance our corporate value and vitality through leveraging diverse human resources, it is essential to create workplaces where women can develop and demonstrate their talents to their fullest potential. Since many of Duskin's customers are women, women's perspectives are essential for creating and providing products and services, and for our business growth.

Against this backdrop, Duskin developed a second action plan extending from FY2019 to FY2021 in accordance with the Act of Promotion of Women's Participation and Advancement in the Workplace. Under the plan, we have launched initiatives to support women's career development and nurture an inclusive corporate culture and work environment. Duskin has also set a numerical goal of increasing the percentage of women in managerial positions to at least 10%.

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



Empowering women working on the frontline

### Hiring Non-Japanese Nationals

With the increase in two-income families and one-person households, there is a rapidly growing need for house cleaning and helper services. The demand for these services is expected to expand further with increasing need for daily assistance for seniors in our super-aging society.

Duskin started hiring non-Japanese employees from April 2017 after receiving approval from the Kanagawa, Osaka and Tokyo governments as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones. As at end of FY2019, a total of 47 Philippine citizens were hired at 12 locations in three prefectures. These employees provide services at customers' homes after undergoing training.

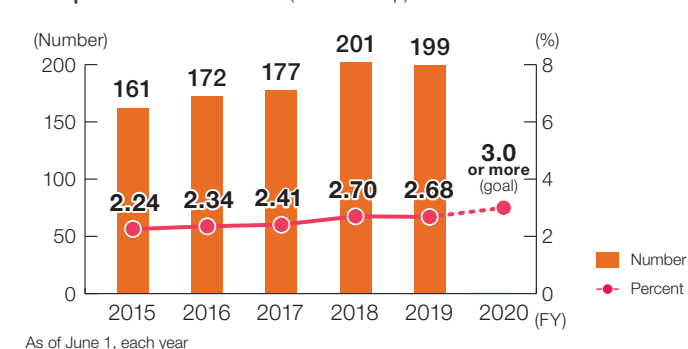


Filipino employees undergoing training

### Hiring People with Disabilities

We believe it is also a social responsibility of corporations to provide employment opportunities to people with disabilities. These employment opportunities should be individually matched to the capabilities of the recruits. To provide more job opportunities at higher retention rates, we are carrying out initiatives to examine the types of jobs suitable for the different range of skills and interests of people with disabilities and to establish a structure to assist them. We continue to actively promote employment of people with disabilities, and aim to reach a ratio of employees with disabilities of 3% or more at Duskin (non-consolidated). We will play our part to create a society where everyone can live with a sense of active participation, reward, and purpose.

#### People with disabilities (Duskin Group)



As of June 1, each year





## Basic HR Data

		March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
<b>Employees Duskin Group</b> Regular and non-regular employees (excludes executives, temporary workers)	Male	2,350	2,325	2,429	2,443	2,422
	Female	1,188	1,203	1,344	1,370	1,380
	Total	3,538	3,528	3,773	3,813	3,802
<b>Newly entered regular employees Duskin Group</b> Includes regular employees hired overseas	New graduates	30	31	160	41	53
	Mid-career hires	112	195	169	199	264
<b>Non-career employees who moved to permanent career positions Duskin Group</b>		36	100	111	36	37
<b>Regular employees leaving the company Duskin Group</b> Excludes regular employees leaving at mandatory retirement age		142	131	158	257	286
<b>Union membership Duskin Group</b>	Number	3,021	3,111	3,082	3,060	3,029
	Percent	100	100	100	100	100
<b>Employees Duskin (non-consolidated)</b>	Total	1,960	1,954	1,991	2,020	1,974
	Female (included in the total)	583	607	643	685	697
	Percent of female employees	29.7	31.1	32.3	33.9	35.3
<b>Managers Duskin (non-consolidated)</b>	Total	367	349	375	372	371
	Female (included in the total)	22	22	24	27	30
	Percent of females in managerial positions	6.0	6.3	6.4	7.2	8.1
<b>Newly entered regular employees (new graduates and mid-career hires) Duskin (non-consolidated)</b>	Total	31	114	108	73	70
	Female (included in the total)	18	67	48	34	23
	Percent of newly entered regular employees (female)	58.1	58.8	44.4	46.6	32.9
<b>Regular employees leaving for personal reasons Duskin (non-consolidated)</b>	Total	62	78	58	71	87
	Percent of employees leaving for personal reasons	86.1	80.4	71.0	55.0	77.0
<b>Average age Duskin (non-consolidated)</b>	Male	46.0	46.2	46.7	47.0	47.4
	Female	42.3	42.6	42.7	42.7	42.7
	Overall	44.9	45.1	45.4	45.6	45.7
<b>Average length of service (years) Duskin (non-consolidated)</b>	Male	17.9	18.0	18.1	18.1	18.2
	Female	13.4	12.6	12.4	12.0	12.1
	Overall	16.5	16.3	16.3	16.1	16.1
<b>Employee survey scores (points) Duskin (non-consolidated)</b> Perfect score of 5		3.78	3.76	3.79	—	—*
<b>Annual training hours per employee Duskin (non-consolidated)</b>		18.3	15.5	12.6	12.9	18.4

\* From FY2020 we will revise and update the methods for the employee survey

## Personnel Training

### Education and Training Programs

Duskin offers various types of education and training to develop personnel to fully understand the philosophy of Prayerful Management and reflect it in their daily business practices. We conduct level-specific training for employees, including new hires, to teach the knowledge and skills required to effectively perform their duties; we also focus on training Area Managers, who support our franchise owners and energize the franchise network. In addition, we encourage employees to develop themselves through attaining publicly recognized qualifications and taking correspondence courses.

With the aim of improving the abilities of managers of each franchise business brand and their Area Managers, we are working to expand expertise and perspectives on franchise business management by providing opportunities to attend training programs sponsored by the Japan Franchise Association. In FY2019, a total of 11,553 individuals participated in various training programs in an effort to strengthen their knowledge and skills.

### Commitment to our Management Philosophy, Prayerful Management

In 2016, Duskin established the Institute of Prayerful Management to incorporate our management philosophy into our everyday work activities and responsibilities. We focus on study sessions by lecturers from the institute as well as mini-lessons by Business Development Managers across the nation during regular meetings. The institute also publishes newsletters to share information and supports self-education via e-learning.



Prayerful Management workshop

## Supporting Franchise Personnel Training

### Duskin School

Duskin School is a training center —mainly for Direct Selling Group— that provides comprehensive training which ranges from management philosophy to operational knowhow for franchise owners, managers and staff nationwide. Duskin School provides opportunities to acquire knowledge and skills through its highly experienced instructors, extensive training curriculum, and fully equipped facilities. In FY2019, 349 individuals participated in business-division-specific training courses, amounting to annual training time of 19,025 hours.



Duskin School training

### Mister Donut College

Mister Donut College was established out of our founder's faith; as Seiichi Suzuki said, "Our people are intangible assets we must nurture with our hands." Based on this faith and guidance, the facility was founded even before we started franchising the business. To develop first-class business people in the food industry, we have put together a unique training system in a manual. In addition to donut production and customer service, the trainees learn about the philosophy of Mister Donut and the best attitude for serving our customers. In FY2019, 950 individuals took this training course, amounting to annual training time of 15,928 hours.

## Health-Focused Management

### Certified as Health and Productivity Management Organization 2020

Duskin was certified as Health and Productivity Management Organization 2020 in February 2020 for the fourth consecutive year. Duskin is raising health awareness among employees by pursuing health-focused management through the Duskin Declaration of Health-Focused Management. Looking ahead, we will continue to maintain and improve the well-being of employees and their families in cooperation with the health insurance society and the labor union.



Corporate Governance

Approach to Corporate Governance

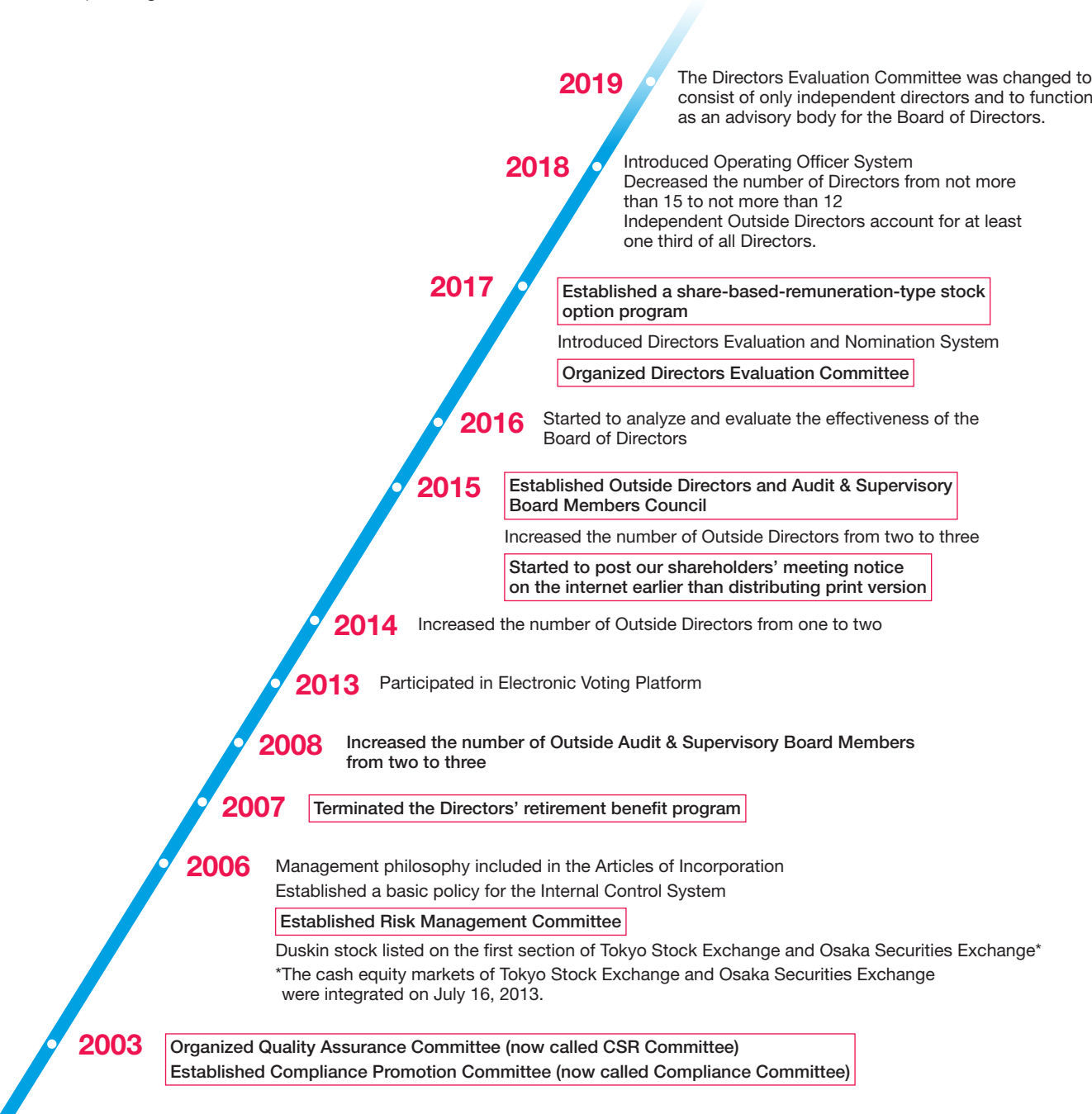
Duskin ensures the implementation of all of the principles contained in the Corporate Governance Code. For additional information, please refer to the Corporate Governance Report on our website.

▶ <https://www.duskin.co.jp/csr/governance/corporate/pdf/governance.pdf> (Japanese version only)

Initiatives to Strengthen Corporate Governance

We are working to strengthen corporate governance, as we believe it to be one of the most important issues for management. In 2017 we created a Directors Evaluation Committee and introduced an Operating Officer System. With the aim of ensuring the independence of the Directors Evaluation Committee and maintaining its effectiveness, we mandated that only independent directors be members and made the committee an advisory body to the Board of Directors.

Taking into account amendments to laws and changing society, we will continue to work toward further improvements in corporate governance.



Five Key Characteristics of Corporate Governance

1	<p>Ratio of Outside Directors on the Board of Directors</p> <p>33%</p>	<ul style="list-style-type: none"><li>◆ Of the nine board members, three are Outside Directors.</li><li>◆ The ratio of Outside Directors on the Board of Directors remained at 33%, as it was in FY2018.</li></ul>
2	<p>Ratio of women on the Board of Directors</p> <p>22%</p>	<ul style="list-style-type: none"><li>◆ Of the nine board members, two are women.</li><li>◆ Duskin is offering greater opportunities for women, who are essential to our business growth. One of our efforts is to increase board diversity with the appointment of more female Directors.</li></ul>
3	<p>Board of Directors attendance rate</p> <p>100%</p>	<ul style="list-style-type: none"><li>◆ All Directors, including Outside Directors are expected to attend every Board of Directors meeting and actively engage in discussions on the management and execution of the company's business.</li><li>◆ This attendance rate reflects the average attendance rate for the 19 Board of Directors meetings since the general meeting of shareholders held in June 2019.</li></ul>
4	<p>Establishment of a Directors Evaluation Committee</p>	<ul style="list-style-type: none"><li>◆ To improve the effectiveness of appointments to and evaluations of the Board of Directors, Duskin established the Directors Evaluation Committee, which is composed only of independent directors and functions as an advisory board to the Board of Directors.</li></ul>
5	<p>Building a structure that allows Board members to comprehensively deliberate on important matters</p>	<ul style="list-style-type: none"><li>◆ By introducing an Operating Officer System in FY2018, we have reduced the number of proposals made to Board meetings so that Directors could focus more on discussing important agenda items. We are also further streamlining the Board of Directors' direction-making and oversight functions, and expediting business execution through delegating authority.</li></ul>



Basic Policy

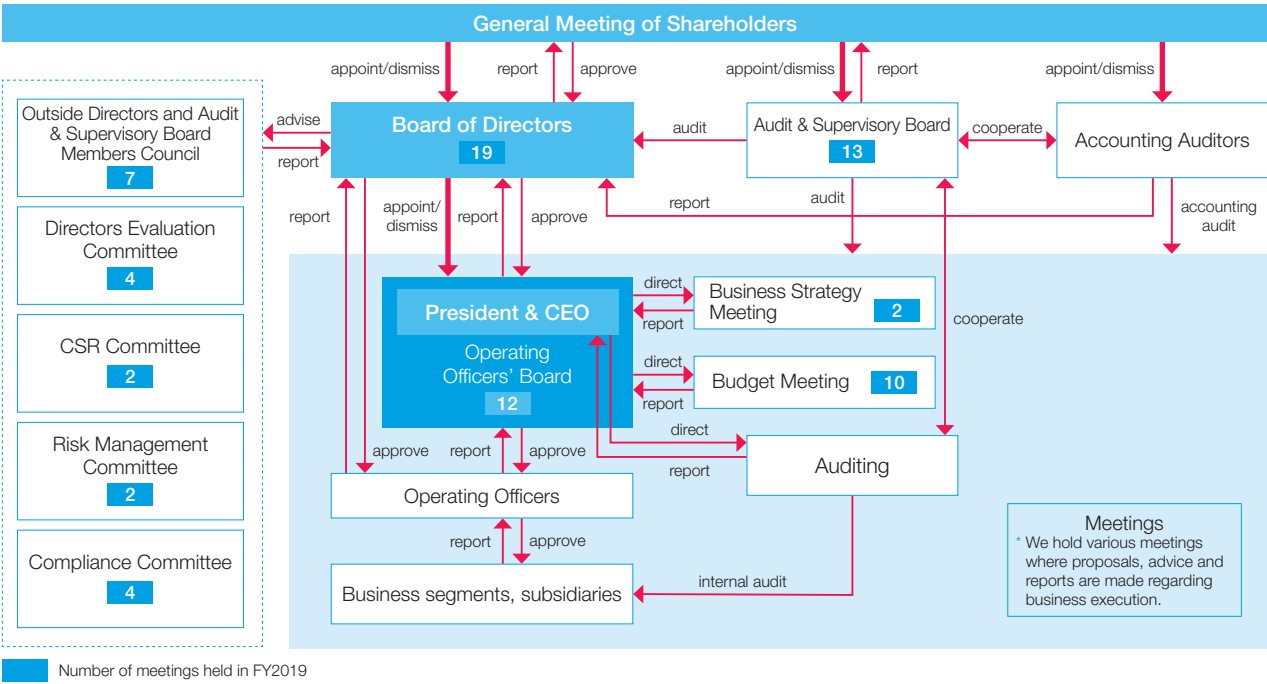
Upholding Founder Seichi Suzuki’s philosophy of Prayerful Management, we are committed to each of our business operations to Sow the Seeds of Joy for people and communities. Our interpretation of corporate governance is for all of our employees to incorporate his earnest wish, as reflected in the philosophy, in our everyday activities.

Duskin positions the strengthening of corporate governance as one of its highest priorities to build a stronger relationship with stakeholders, increase corporate value over the medium- to long-term, and achieve sustainable growth. Duskin is further bolstering its structure, organization and systems to ensure transparent and sound management. Duskin also places compliance at the center of all our corporate activities to continuously improve our corporate value.

Corporate Governance Structure

Duskin is a company with an Audit & Supervisory Board system. In addition to the Board of Directors and the Audit & Supervisory Board, we have introduced the Operating Officer System to ensure expeditious decision making and business execution. At the Board of Directors, Directors monitor and supervise other Directors’ performance. The Audit & Supervisory Board consists of independent outside Audit & Supervisory Board Members capable of objectively conducting audits and internal full-time Audit & Supervisory Board Members, who are well acquainted with our business operations and have skills needed to gather information. Under this system, the Audit & Supervisory Board Members, internal and outside, perform accurate audits. We consider this structure highly effective as it supports customer-oriented management while ensuring sound and efficient business operations. This system also enables us to swiftly and precisely respond to changes in the business environment.

Corporate Governance Structure (as of April 2020)



Membership in Committees and Meetings

Name	Board of Directors	Audit & Supervisory Board	CSR Committee	Risk Management Committee	Compliance Committee		Outside Directors and Audit & Supervisory Board Members Council	Directors Evaluation Committee	Business Strategy Meeting	Operating Officers Board	Budget Meeting
Members	<div>Chair: 9 Directors (3 Outside Directors) Observers: 5 Audit &amp; Supervisory Board Members (3 Outside Audit &amp; Supervisory Board Members)</div>	<div>Chair: 5 Audit &amp; Supervisory Board Members (3 Outside Audit &amp; Supervisory Board Members)</div>	<div>Chair: 5 Operating Officers (4 are also Directors), 2 Outside Directors, 1 Standing Audit &amp; Supervisory Board Member</div>	<div>Chair: 1 Operating Officer, 7 from corporate office departments, and 3 from business divisions Observer: 1 Audit &amp; Supervisory Board Member</div>	<div>Chair: 7 Operating Officers (2 are also Directors), 2 Outside Directors, 1 Standing Audit &amp; Supervisory Board Member, 1 labor union chair, 1 attorney</div>		<div>Chair: 3 Outside Directors, 3 Outside Audit &amp; Supervisory Board Members</div>	<div>Chair: 2 Outside Directors, 1 Outside Audit &amp; Supervisory Board Member</div>	<div>Chair: 13 Operating Officers, 3 Outside Directors, 5 Audit &amp; Supervisory Board Members (3 Outside Audit &amp; Supervisory Board Members)</div>	<div>Chair: 13 Operating Officers Observers: 2 Standing Audit &amp; Supervisory Board Members</div>	<div>Chair: 6 Operating Officers (6 are also Directors), 2 Standing Audit &amp; Supervisory Board Members</div>
2019 Achievements	19	13	2	2	4		7	4	2	12	10

Board of Directors

Chaired by Teruji Yamamura, President & CEO

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. This enables the Board of Directors to focus on making important management decisions and monitoring the execution of business to swiftly and precisely respond to changes in our business environment.

Meeting Attendance by Board Members and Audit & Supervisory Board Members

Name	Title	Attendance in FY2019	CSR Committee	Compliance Committee	Outside Directors and Audit & Supervisory Board Members Council	Directors Evaluation Committee	Risk Management Committee
Teruji Yamamura	President & CEO	■ 19/19	○				
Kazushi Sumimoto	Director & COO	■ 19/19	○				
Tetsuya Wada (new)	Director & COO	—	○				
Naoto Miyata (new)	Director & CFO	—		★			
Taku Suzuki	Director and Operating Officer	■ 19/19		○			
Hiroyuki Okubo (new)	Director and Operating Officer	—	★				
Tomoya Yoshizumi	Outside Director	■ 19/19			★	★	
Nobuko Sekiguchi	Outside Director	■ 15/15	○	○	○	○	
Yukiko Tsujimoto (new)	Outside Director	—	○	○	○		
Takashi Yoshida	Audit & Supervisory Board Member	■ 19/19 ● 13/13		○			△
Hideyuki Naito (new)	Audit & Supervisory Board Member	—	○				
Takaaki Oda	Outside Audit & Supervisory Board Members	■ 18/19 ● 13/13			○	○	
Sachiko Kawanishi	Outside Audit & Supervisory Board Members	■ 19/19 ● 13/13			○		
Kyoichiro Arakawa	Outside Audit & Supervisory Board Members	■ 19/19 ● 13/13			○		

Note: Board meeting attendance for Nobuko Sekiguchi reflects attendance after her appointment on June 25, 2019.

Advisory Bodies

Outside Directors and Audit & Supervisory Board Members Council

Chaired by Tomoya Yoshizumi, Outside Director

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.

Directors Evaluation Committee Chaired by Tomoya Yoshizumi, Outside Director

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 to improve 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 Chaired by Hiroyuki Okubo, Director

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.

Business Execution

Operating Officers’ Board Chaired by Teruji Yamamura, President & CEO

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 Chaired by Teruji Yamamura, President & CEO

The Business Strategy Meeting is for all Directors and division managers to discuss comanywide business strategies, business portfolios and the allocation of Duskin Group resources from a medium- to long-term perspective.

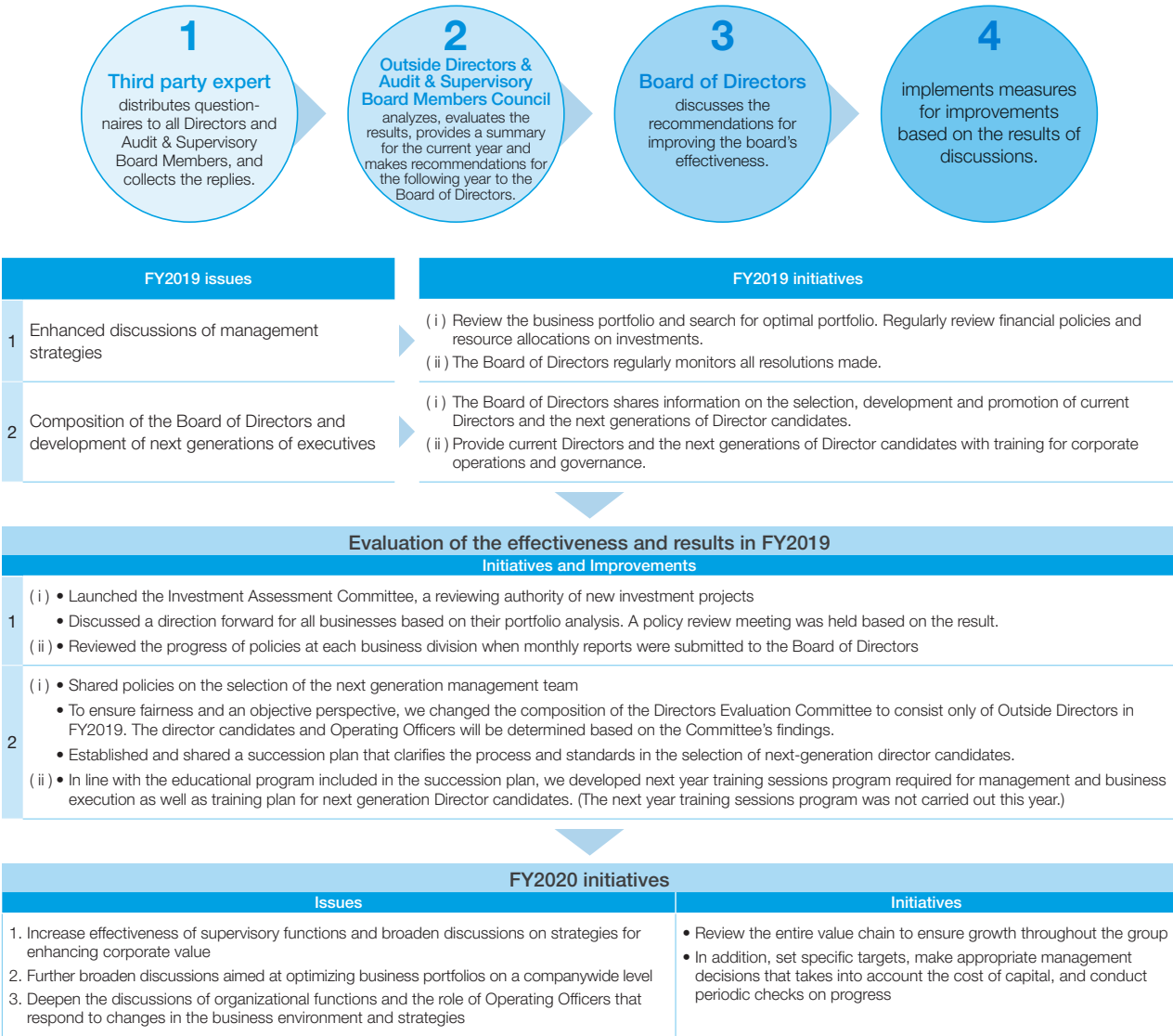
Budget Meeting Chaired by Teruji Yamamura, President & CEO

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

**Summary** 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 FY2019 analysis and evaluation process and results and FY2020 plan are as follows:

**Analysis and evaluation process** Target and Period: 15 meetings of the Board of Directors held between April 2019 and December 2019



Election Policies for the Board of Directors

Selection Standards

Duskin selects candidates for election as Directors from among individuals who fulfill the criteria of possessing the character, knowledge and integrity to serve as a Director and who have no health issues that would interfere with performing the duties of a Director.

◆Internal Director candidates

The Representative Director requests recommendations from the current Directors and Audit & Supervisory Board Members.

The Representative Director selects a person who can have a positive effect on the organization’s vitality and continuously execute medium- to long-term strategies of Duskin Group.

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).

◆Outside Director candidates

- Duskin selects individuals who can maintain independence and have no special financial relationship with 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 a multifaceted perspective in order to maintain the transparency and soundness of management and the fairness of procedures.

The Board of Directors makes final selection among candidates who meet the aforementioned criteria.

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 election
Tomoya Yoshizumi	Extensive experience and insight in corporate management as a Member of the Board and Corporate Vice President at Ajinomoto Co., Inc., where he was engaged in strategic production planning, the Medium-Term Management Plan and implementing M&A strategies for the Ajinomoto Group. Mr. Yoshizumi supervised business operations from April 2011 in North America as General Manager, North America Division and President of AJINOMOTO NORTH AMERICA, INC.  Since assuming the position of Outside Director at Duskin in June 2017, has strengthened Duskin's corporate governance by providing advice and supervision regarding the Company's overall management from an objective standpoint independent of its executive team. Therefore, Duskin selected him as an Outside Director.
Nobuko Sekiguchi	After working as a management consultant, Ms. Sekiguchi joined Capcom, where she served as an executive officer responsible for business planning, including the formulation of the Medium-Term Plan, management of the annual budget, organizational reforms, and M&A. Her extensive experience and insights allowed her to strengthen Duskin's corporate governance by providing advice and supervision regarding the Company's overall management from an objective standpoint independent of its executive team. Therefore, Duskin selected her as an Outside Director.
Yukiko Tsujimoto	As a director at Procter & Gamble Japan, Ms. Tsujimoto has a wealth of experience and insight in corporate management. As part of her tenure at the company, Ms. Tsujimoto has been responsible for overseeing brand marketing and public relations, as well as serving as PR leader for the Asian region. With her background and knowledge, Ms. Tsujimoto is expected to strengthen Duskin's corporate governance by providing advice and supervision regarding the Company's overall management from an objective standpoint independent of its executive team. Therefore, Duskin selected her as a new Outside Director.

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.

► <https://www.duskin.co.jp/csr/governance/corporate/> (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 methods used in calculating Director remuneration and actual remuneration in FY2019 are as follows.

Process and calculation methods of Director remuneration and actual remuneration

Items	Methods applied in FY2019		
	Directors	Outside Directors	Audit & Supervisory Board Members
Decision-making process	<ul style="list-style-type: none"><li>The determination of remuneration by the Board of Directors is based on officer remuneration survey data provided by an external research organization comparing Duskin to companies of a similar size and companies in similar business sectors and with similar operations.</li><li>The Board of Directors make the final decisions, taking into consideration the advice of the Directors Evaluation Committee, after thorough discussions. (see Page 63).</li></ul>	<ul style="list-style-type: none"><li>A certain amount is set as base compensation and bonuses for Outside Directors, after taking into account their backgrounds and other matters.</li></ul>	<ul style="list-style-type: none"><li>Remuneration for each Audit &amp; Supervisory Board Member is determined based on discussions with those members.</li></ul>
Remuneration	<ul style="list-style-type: none"><li>The remuneration 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).</li></ul>	<ul style="list-style-type: none"><li>Basic remuneration, bonuses</li></ul>	<ul style="list-style-type: none"><li>Basic remuneration, bonuses</li></ul>

Compensation is determined within the amount resolved at the general shareholders' meeting.

Actual remuneration (FY2019) (thousands of yen)

Category	Total Remuneration	Type of remuneration			Members
		Basic remuneration	Bonus	Stock option	
Directors	236,685	170,152	41,200	25,333	6
Outside Directors	23,400	18,600	4,800	0	4
Standing Audit & Supervisory Board Members	53,700	46,500	7,200	0	2
Outside Audit & Supervisory Board Members	30,000	25,200	4,800	0	3

The numbers above include Outside Directors who retired as of the 57th Ordinary General Meeting of Shareholders on June 23, 2019. As of the end of the current fiscal year the number of Outside Directors stood at three.

Internal Control

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

Code of Conduct Statement: Aiming to be a trustworthy and reliable company

1

We always think of customers in everything we do.

2

We observe the law in all that we do.

3

We are ethical in all our actions.

4

We take pride in everything we do.

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 formulated its succession plan in FY2019 to foster next-generation management and successors to our chief executives. We have created an educational program to train those with the appropriate qualities, as well as a selection process for executive officers and candidates for director positions. We launched these operations in FY2020 and regularly share information and report to the Board of Directors on the progress. The President & CEO conducts monthly individual meetings with all Operating Officers. Quantitative assessments of their performances and improvements are made every six months in line with the Directors Evaluation and Nomination System, with the opportunity used to provide further guidance as well as to review 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 in corporate value. Our senior management and Directors protectively respond to the requests of individual or institutional investors to meet with them.


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 IR tools, including our website, that are useful for individual investors and shareholders in making investment decisions. Duskin discloses the financial results, business strategies, ESG information, news and other topics of interest.


Initiatives

Duskin holds financial results briefings for institutional investors and analysts twice a year (once when 1H results are announced and once when full-year results are announced). Duskin visits institutional investors and analysts to have active dialogue with them. The company has postponed briefings due to the spread of the novel coronavirus from February 2020 and meet with them over the phone.


Duskin held its first round-table conference for shareholders on November 14, 2019, with 102 individuals out of 1,419 applicants taking part. In addition to Operating Officers and President & CEO speaking on Duskin's business and history, the meeting provided an opportunity for participants to exchange opinions while enjoying our Mister Donut and other items of our Food Group. There are no plans at present to hold such events during the current fiscal year.




Navidas, Duskin Investor's Note



Duskin website  
Shareholders and Investors  
-To shareholders and Investors-  
<https://www.duskin.co.jp/ir/> (Japanese version only)



Round-table conference for shareholders



## Interview with Outside Directors

Two Outside Directors shared their views on their roles in corporate governance, future direction, and improvement of the corporate value.



**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, and General Manager, North America Division, Bioscience & Finechemicals Business Division, Ajinomoto Co., Inc. 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.



**Nobuko Sekiguchi**  
Outside Director

After working at a foreign affiliated company and as a management consultant, Ms. Sekiguchi joined Capcom Co., Ltd. in 2005, where she was appointed as a Corporate Officer. While there, she was engaged in leadership roles including Head of Corporate Planning & Human Resources Division. An Outside Director of Duskin Co., Ltd. since June 2019.

### From what aspects are you looking at Duskin’s management?

- Yoshizumi:** Duskin places great value on corporate governance. The information I need is always available, which enables me to fulfill my duty as an Outside Director. Duskin is a public company, develops its businesses, and grows with franchisees through the franchise system. Unlike non-franchise businesses, our franchisees are included among stakeholders in addition to shareholders, customers and employees. Because our focus tends to be on the franchisees, I make comments and extend advice from the shareholders’ perspective at the Board of Directors’ meetings.
- Sekiguchi:** It has been a year since I was appointed as an Outside Director of Duskin. My responsibilities in previous positions covered growth strategy in corporate planning and human resources divisions. I offer comments and advice from the viewpoint of not only risk control—which functions as a brake—but also business growth and improvement of corporate governance—which serve as accelerators. As we are provided with opportunities to walk through the agenda and reference materials in advance, we can put forward constructive opinions during the meetings.
- Yoshizumi:** In many cases, it is Outside Directors who pose questions and provide opinions at the meetings. Internal Directors should be called on to speak more not only on business of their areas of responsibility, but also on companywide matters from different perspectives. I understand it is not easy because I have had the same experience as an internal director in previous posts, but doing so should lift the effectiveness of our Board of Directors’ meetings.
- Sekiguchi:** Many proposals made to the Board of Directors meetings are about our individual business lines. The meetings should be a forum for discussing how to best allocate management resources for the entire company, not simply a forum for approving such proposals from different business divisions.

### What are your views on our business and the future?

- Yoshizumi:** We are now at an important stage in our return to growth, as I see initiatives are beginning to bear fruit. In addition to viewing growth from the perspective of sales and operating profit, we are evaluating the overall business from different viewpoints—including an investment hurdle rate that takes the cost of capital into account. If we could channel limited managerial resources through selection and concentration, considering the cost of capital, we could gain a clearer view of the track to renewed growth.
- Sekiguchi:** In a way, Duskin’s philosophy, Sowing the Seeds of Joy, is one of our greatest management resources. I believe this is our strength, and that we, including our franchisees, should take advantage of this strength in our daily business practices. While valuing interpersonal contact, we will need to consider how to transform our business model as digitization progresses. Not many business models create value for both franchisees and customers, so if we could develop people who take a more flexible approach to creating business plans to match business trends, we could nurture the next generation of core businesses for our company to keep growing. To make it happen, we need to put a human resource strategy in place based on individual skill sets.
- Yoshizumi:** During the COVID-19 pandemic, all companies are being urged to address its impact on their business. However, Direct Selling Group is not seeing a sharp drop in demand. I believe this is because our sales channels remain strong thanks to our long, trusted relationship with our customers. Direct Selling Group should further leverage its strengths to meet customers’ expectations. We need to be developing and providing products and services in a timely manner, which will help our customers to stay healthy and fine-tune the rhythm of their daily activities.
- Sekiguchi:** It is true that COVID-19 has once again emphasized the importance of face-to-face contact. Meeting people in person will be increasingly important in this rapidly aging society and in this respect, Duskin already has an advantage. At the same time, as the pandemic is accelerating the shift to digitalization, Duskin should speed up the initiatives to expand our online presence.
- Yoshizumi:** In Food Group, Mister Donut improved their donuts and other items. Another effort involved enhancing meal items under the concept of “Something good’s gonna happen.” and providing moments of joy for all our visitors. Despite these efforts, eat-in demand has dropped dramatically due to COVID-19. However, if we respond to changes in eating habits such as take-out and delivery, we should be able to recover swiftly with the help of improved products and promotion strategies. We expect to see the business undergoing major changes over the next few years.

### What are the essential elements of Duskin’s corporate governance?

- Yoshizumi:** Duskin already has a corporate governance system in place; the next challenge involves how we live the culture and philosophy shaped by our corporate governance system. As shareholders are taking on a greater risk of receiving no returns, we often discuss the agenda from their perspective. By strengthening the functions of corporate governance, we will be able to grow into a more profitable company with a better work environment.
- Sekiguchi:** We have a governance system in place, and our corporate culture encourages discussions. But the culture tends to be homogeneous, partly due to fewer mid-career hires. What we need is a mechanism for diversity to include multifaceted viewpoints. While listening to the opinions of our shareholders, we need to proactively communicate our strengths to them. This should also lead to a better corporate image.
- Yoshizumi:** Directors have few opportunities to meet the shareholders, but it is important to increase opportunities for the President and other board members to interact with shareholders, institutional investors, and customers. These experiences would help them to see, think, and speak with broader perspectives not confined to those of the business domains under their responsibility. In my experience, communication with shareholders has always generated positive results. And it will continue to do so.

### Looking ahead

- Yoshizumi:** As Ms. Sekiguchi mentioned, we need to review and reform our human resources system, redesigning it in a way that links evaluation and reward to outcome. In other words, under the new system, those employees who are highly motivated with pride and purpose should be evaluated and rewarded according to their outcome. I believe such employee engagement and mindset would only strengthen Duskin.
- Sekiguchi:** Duskin’s business needs a female perspective. I believe I can contribute by providing advice so that more women, both internal and external, will be involved in management.



Risk Management

Risk Countermeasures

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 risk management supervisors for 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 FY2019. 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, the response to natural disasters and the business continuity plan (BCP). In the event of an incident that may have a major impact on Duskin Group, a response office is established.

Companywide Risk Management System

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.

Risks and Measures

Category (Risk Items)	Details of Typical Risks	Risk Countermeasures
Business Model (franchise system)	◆ Difficulty in obtaining consent and cooperation from franchisees, which leads to suspension or delay of business plans	◆ Development and introduction of new products and services ◆ Sufficient communication to obtain consent for cooperation and sharing expenses from franchisees when opening new shops and renovating existing shops
	◆ Termination or cancellation by franchisees, lawsuits with franchisees, violations of laws and ordinances by franchisees and scandals	◆ Comprehensive programs to provide guidance and training while further building relationships with franchisees
Changes 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 as part of business expansion measures in this growing market
	◆ Mister Donut business risks: 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 measures to expand businesses mainly 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 the launch of products, focus on maintaining quality standards by conducting quality checks on the products from time to time
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	◆ Actively work to improve skills of service staff by training them how to prevent accidents and respond to emergencies as well as develop and maintain manuals ◆ Improve service quality and consistency through staff training and licensing programs
Product Manufacturing (Procurement)	◆ Difficulties in manufacturing products due to unexpected natural disasters and other emergencies	◆ Procure products from multiple suppliers except where the products purchased rely on specific singular suppliers because of a unique production technology
Disasters	◆ Suspension of business operations or damage to facilities caused by large-scale natural disasters such as earthquakes, typhoons and floods	◆ Further strengthen measures to minimize the damage caused by natural disasters, such as establishing a safety confirmation system, preparing response manuals, and maintaining a business continuity plan ◆ Conduct disaster response drills
Information Communication Technology (ICT)	◆ Significant problems such as personal information leaks caused by insufficient measures to counter external threats such as cyber attacks and inadequate IT security	◆ Formulate regulations such as Personal Information Protection Rules, conduct training for executives and employees, and hold seminars for franchisees ◆ Develop and operate a system for safeguarding and managing personal information, including measures for IT system security

Compliance

Basic Policy & Framework

At Duskin, "compliance" means we are committed to "complying with what is expected to meet others' wishes." Accordingly, we formulated the Duskin Code of Conduct that reflects the numerous opinions we received during discussions with all operating officers and employees (including part-timers).

Following the Code of Conduct is synonymous with practicing our philosophy of Prayerful Management in our business activities. Sowing the Seeds of Joy within people's heart, we are committed to being a responsible company to gain more trust from consumers and society, as expressed in the Code of Conduct.

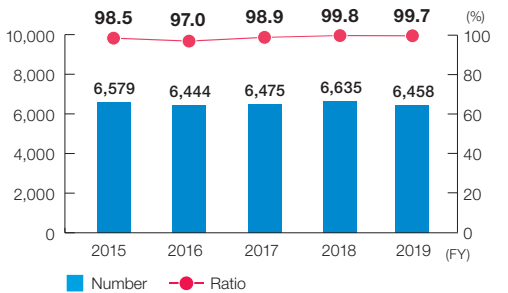
The third edition of Duskin Code of Conduct

► <http://www.duskin.co.jp/csr/governance/compliance/kijun.html> (Japanese version only)

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 Directors and employees. We invite outside lecturers to conduct seminars every fiscal year, and we hold case study training sessions on racial and LGBT harassment to help employees make ethical judgments.

Compliance Training Participants

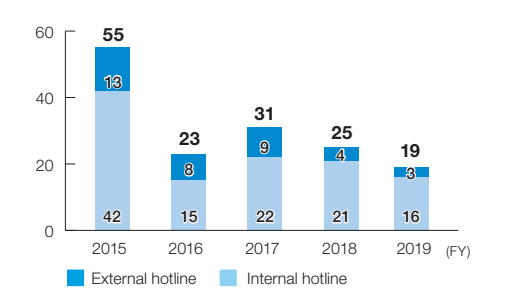


Whistleblowing

◆Operating Internal Hotlines

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. In addition, independent arbitration is held regarding complaints about human rights infringements. FY2019 hotline users: internal 16, external 3

Hotline Users



Insider Information Management

Duskin has formulated Rules on Insider Information Management and the Detailed Rules on Insider Information. All information on 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. Specified separately from the Disclosure Policy, we have set a quiet period extending from the day after the end of the fiscal period to the day of the results announcement. During this period, we refrain from answering questions or commenting on results and earnings forecasts to prevent information leaks regarding results (including quarterly results) and ensure fairness.

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.

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.

## Directors and Audit & Supervisory Board Members (as of June 23, 2020)

### Board of Directors

Representative Director,  
President & CEO

**Teruji Yamamura**

Number of shares owned:  
34,185  
Board meeting attendance in  
FY2019: 19/19



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

Director & COO

**Kazushi Sumimoto**

Number of shares owned:  
9,585  
Board meeting attendance in  
FY2019: 19/19



June 2020 Director & COO, Direct Selling Group  
General Manager, Strategy Management, Direct Selling  
Group (to the present)  
Apr. 2020 Director & Executive Operating Officer, Direct Selling  
Group  
General Manager, Strategy Management, Direct Selling  
Group  
June 2019 Director & Executive Operating Officer, Corporate  
Planning, General Affairs, Accounting, Information  
System, Production & Logistics  
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 (current Life Care)  
Division Manager, Rent-All  
Apr. 1983 Joined the Company

Director & COO **New**

**Tetsuya Wada**

Number of shares owned:  
1,700  
Board meeting attendance in  
FY2019: —



June 2020 Director & COO, Food Group  
Division Manager, Food Business Development (to  
the present)  
Apr. 2020 Operating Officer, Food Group  
Division Manager, Food Business Development  
Apr. 2018 Operating Officer  
General Manager, Mister Donut Business Group  
Apr. 2015 General Manager, Mister Donut Business Group  
Apr. 2011 Division Manager, Food Chain Business &  
Development  
Apr. 1986 Joined the Company

Director & CFO **New**

**Naoto Miyata**

Number of shares owned: —  
Board meeting attendance in  
FY2019: —



June 2020 Director & CFO  
Legal Affairs and Corporate Compliance,  
Accounting, General Affairs (to the present)  
Apr. 2020 Operating Officer  
Accounting (to the present)  
Apr. 2018 Joined the Company  
General Manager, Corporate Account  
Apr. 2014 General Manager  
Public & Financial Institutions Banking Dept.  
Sumitomo Mitsui Banking Corporation

Director & Operating  
Officer

**Taku Suzuki**

Number of shares owned:  
4,600  
Board meeting attendance in  
FY2019: 19/19



June 2020 Director & Operating Officer, Rent-All, Health Rent,  
Life Care (to the present)  
Apr. 2020 Director & Senior Operating Officer, Rent-All,  
Health Rent, Life Care  
June 2019 Director & Senior Operating Officer, Rent-All,  
Health Rent, Life Care, Health & Beauty  
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  
Apr. 1989 Joined the Company

Director & Operating  
Officer **New**

**Hiroyuki Okubo**

Number of shares owned:  
1,685  
Board meeting attendance in  
FY2019: —



June 2020 Director & Operating Officer  
President's Office, Information System  
Manager, Corporate Planning (to the present)  
Apr. 2020 Operating Officer, Information System  
Manager, Corporate Planning  
Apr. 2018 Operating Officer  
Manager, Corporate Planning  
Apr. 2016 Manager, Corporate Planning  
Mar. 2013 General Manager, Kita Kanto Regional Office,  
Clean & Care Group  
Apr. 1985 Joined the Company

### Audit & Supervisory Board Members

Audit & Supervisory  
Board Member

**Takashi Yoshida**

Number of shares owned:  
5,485  
Board meeting attendance in  
FY2019: 19/19  
Audit & Supervisory Board  
meeting attendance in  
FY2019: 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 and  
Corporate Compliance  
Apr. 1985 Joined the Company

Audit & Supervisory  
Board Member **New**

**Hideyuki Naito**

Number of shares owned:  
6,575  
Board meeting and Audit &  
Supervisory Board meeting  
attendance in FY2019: —



June 2020 Audit & Supervisory Board Member (to the present)  
Apr. 2020 Senior Operating Officer  
General Affairs  
June 2018 Senior Operating Officer  
General Affairs, Accounting  
June 2016 Director, Corporate Management  
Manager, Accounting  
Nov. 2007 Manager, Auditing  
Apr. 1982 Joined the Company

Audit & Supervisory  
Board Member

Outside Audit &  
Supervisory Board Member  
**Independent**

**Takaaki Oda**

Number of shares owned: —  
Board meeting attendance in  
FY2019: 18/19  
Audit & Supervisory Board  
meeting attendance in  
FY2019: 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  
(Significant concurrent positions)  
Director, Audit & Supervisory Committee Member, New Japan  
Chemical Co., Ltd.

Audit & Supervisory  
Board Member

Outside Audit &  
Supervisory Board Member  
**Independent**

**Sachiko Kawanishi**

Number of shares owned: —  
Board meeting attendance in  
FY2019: 19/19  
Audit & Supervisory Board  
meeting attendance in  
FY2019: 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.

Audit & Supervisory  
Board Member

Outside Audit &  
Supervisory Board Member  
**Independent**

**Kyoichiro Arakawa**

Number of shares owned: 4,800  
Board meeting attendance in  
FY2019: 19/19  
Audit & Supervisory Board  
meeting attendance in  
FY2019: 13/13



Mar. 2020 Representative, BP Asia Consulting Co., Ltd. (to  
the present)  
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.  
Representative, BP Asia Consulting Co., Ltd.

### Operating Officers

Representative Director  
President & CEO

**Teruji Yamamura**

Auditing

Director & COO

**Kazushi Sumimoto**

Direct Selling Group  
Strategy Management, Direct Selling Group

Director & COO

**Tetsuya Wada**

Food Group  
Food Business Development

Director & CFO

**Naoto Miyata**

Legal Affairs and Corporate Compliance,  
Accounting, General Affairs

Director & Operating Officer

**Taku Suzuki**

Rent-All, Health Rent, Life Care

Director & Operating Officer

**Hiroyuki Okubo**

President's Office, Information System,  
Corporate Planning

Operating Officer

**Kazuo Okai**

Public Relations, International

Operating Officer

**Junichi Narahara**

New Business Development, Corporate Account

Operating Officer

**Takashi Kubo**

Production & Logistics

Operating Officer

**Kazuyoshi Fujioka**

Operations, Direct Selling Group

Operating Officer

**Sachiko Hashimoto**

Quality Assurance & Risk Management,  
Human Resources

Operating Officer

**Seishi Nemoto**

Mister Donut Business Group

Operating Officer

**Keiichi Emura**

Direct Selling Business Group



# Financial Information

## Financial Overview

### 1. Analysis of Business Results

#### Business Results Overview

During the fiscal year that ended on March 31, 2020 (FY2019), the Japanese economy continued to recover moderately with the support of the continuing improvement of employment and personal income, although consumer confidence was impacted by the consumption tax hike implemented in October. However, there is growing uncertainty about the global economy because of increasing U.S.-China trade friction. In the fourth quarter, COVID-19 had a negative effect on corporate earnings. As a result, the risk of an economic downturn increased and the outlook is uncertain.

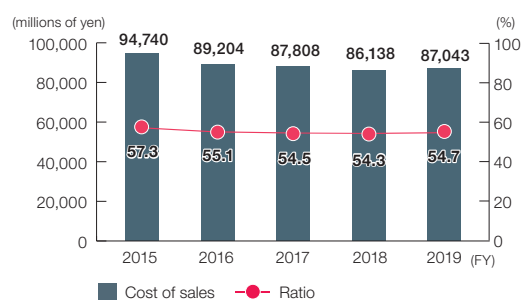
Duskin implemented many initiatives during FY2019, which was the second year of Medium-Term Management Policy 2018. With the goal of providing a Daily Life Fine-Tuning Service, Direct Selling Group is concentrating on measures to strengthen cooperation among the dust control product rental business, Care Service Businesses (professional cleaning and technical services), services for seniors and other business units.

Direct Selling Group started new initiatives to become a source of comprehensive services that are in tune with every family's daily rhythm, including the launch of a new business, the Duskin Wash (laundry service). In Care Service Businesses, the number of franchisees has steadily increased as a result of franchise recruitment activities in order to meet growing demand. Food Group continued to rebuild the Mister Donut brand by implementing a product strategy that is encouraging more customers to visit a Mister Donut shop and by opening and renovating shops.

#### Sales and Operating Income

Consolidated sales increased 403 million yen, or 0.3%, to 159,102 million yen due to higher sales in Food Group, while Direct Selling Group recorded lower sales. Operating profits declined from the previous year due to various factors specific to this fiscal year. Gross profit fell 501 million yen (0.7%) due to a 0.4-point increase in the cost of sales ratio as a result of higher expenses at laundry plants because of the soaring cost of labor and freight. In addition, 900 million yen was invested in IT system upgrades and sales promotion activities to respond to the October consumption tax increase. Retirement benefit and other expenses also increased. As a result, consolidated operating income decreased 1,377 million yen (17.3%) from the previous year to 6,577 million yen.

#### Cost of Sales and Ratio



#### Selling, General and Administrative Expenses and Ratio



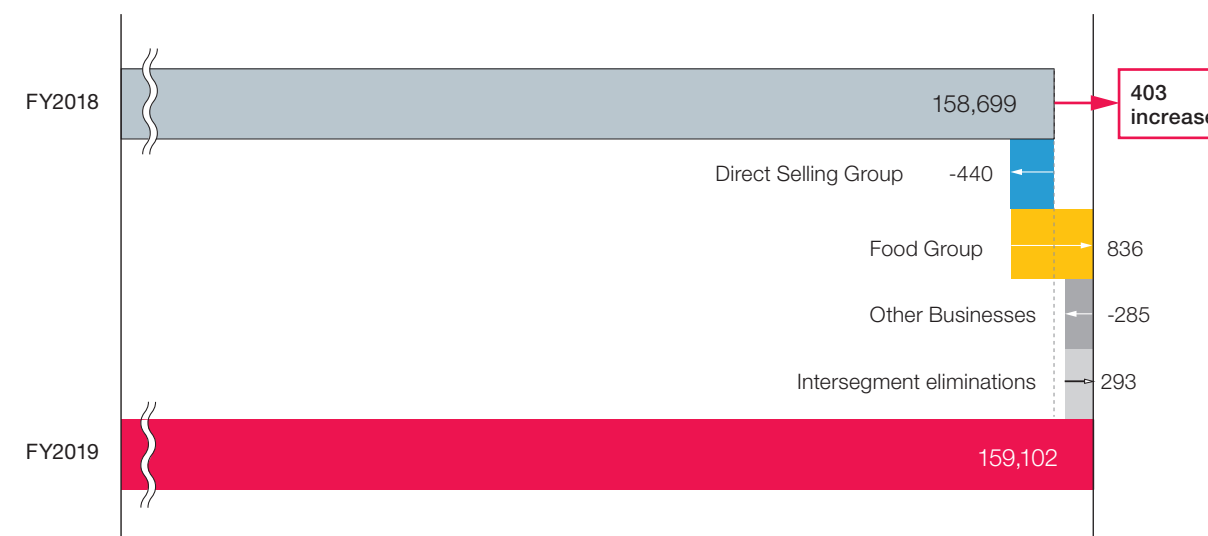
#### Ordinary Profit (non-operating income and expenses)

Because of a decrease in net non-operating income, consolidated ordinary profit was down 2,082 million yen (20.8%) from the previous year to 7,929 million yen. NAC Co., Ltd., which became an equity method affiliate in September 2018, is our largest franchisee. The Company's main business is the housing sales business. NAC usually posts most of its profit in the second half and has a loss in the first half. Duskin started including this company's earnings in the consolidated statement of income in the second half of the previous fiscal year. As a result, NAC's first-half loss was included for the first time in FY2019. Due to the decline in NAC's earnings, share of profit of entities accounted for using the equity method decreased, resulting in a downturn of non-operating income.

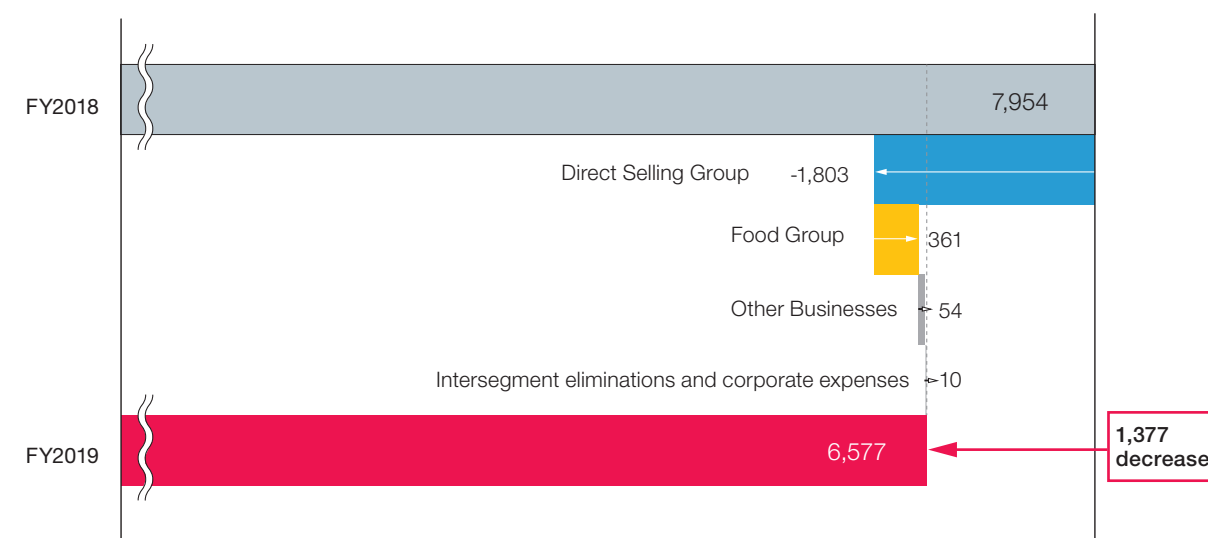
#### Profit Attributable to Owners of Parent (extraordinary income and losses)

Despite an improvement in extraordinary income due to a gain on sales of investment securities resulting from the partial sale of investment securities and to a decrease in impairment losses, profit attributable to owners of the parent decreased by 393 million yen (6.6%) from the previous fiscal year to 5,591 million yen.

#### Net Sales (millions of yen)



#### Operating Profit (millions of yen)



### 2. Analysis of Financial Position

#### Assets

As of March 31, 2020, total assets were 185,158 million yen, a 9,065 million yen decrease from one year earlier. Current assets amounted to 62,195 million yen, 1,753 million yen less than at the end of the previous fiscal year. This is mainly attributable to a decrease of 13,112 million yen in securities and an increase of 7,847 million yen in cash and deposits.

Non-current assets totaled 122,963 million yen at the end of the fiscal year, 7,311 million yen less than at the end of the previous fiscal year. This is mainly due to a decrease of 11,215 million yen in investment securities and increases of 1,756 million yen in property, plant and equipment and 1,482 million yen in deferred tax assets.

Financial Information

Liabilities

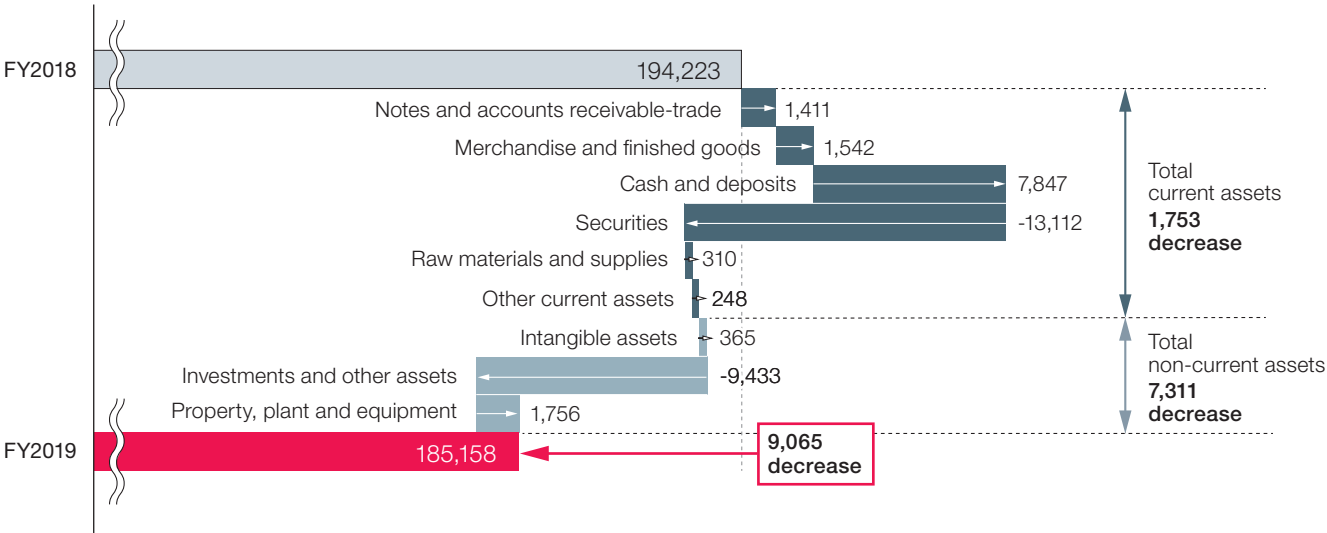
Current liabilities amounted to 34,392 million yen at the end of the fiscal year, 61 million yen more than at the end of the previous fiscal year. This is mainly due to a decrease of 338 million yen in accounts payable-other and an increase of 245 million yen in income taxes payable.

Non-current liabilities totaled 8,735 million yen at the end of the fiscal year, 1,273 million yen less than at the end of the previous fiscal year. This is mainly due to a 948 million yen decrease in net defined benefit liability.

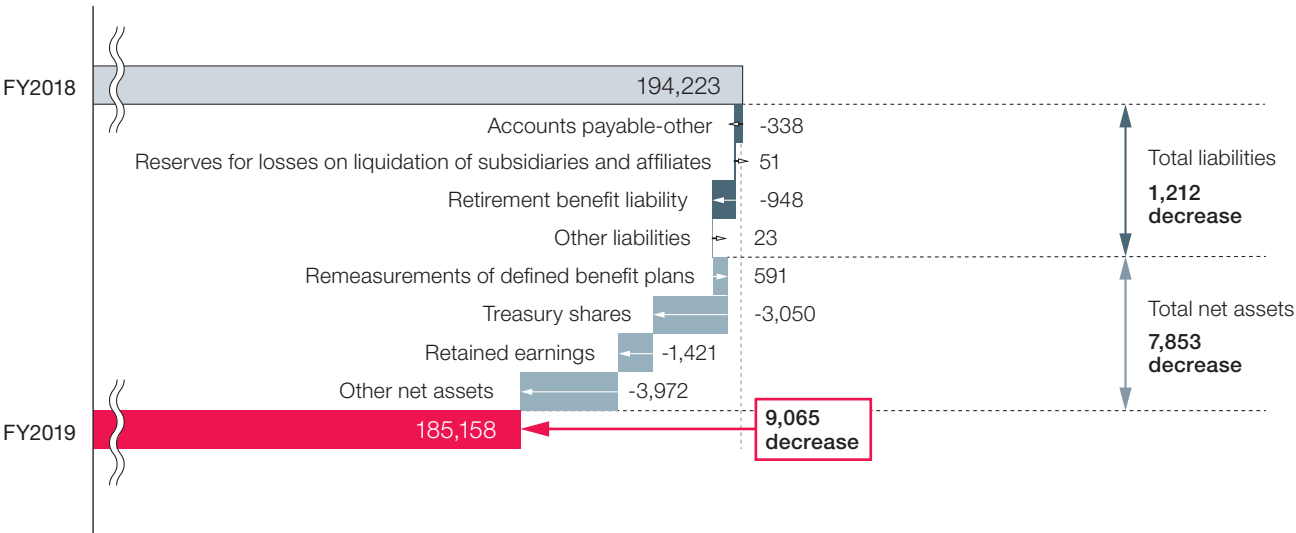
Net Assets

Net assets totaled 142,031 million yen at the end of the fiscal year, 7,853 million yen less than at the end of the previous fiscal year. This is mainly due to decreases of 3,955 million yen in valuation difference on available-for-sale securities, 3,050 million yen in the treasury shares deduction mainly because of the repurchase and retirement of company stock and 1,421 million yen in retained earnings, which resulted from profit attributable to owners of parent of 5,591 million yen, dividend payments of 2,265 million yen and a deduction of 4,728 million yen due to the retirement of treasury shares.

Assets (millions of yen)



Liabilities and Net Assets (millions of yen)



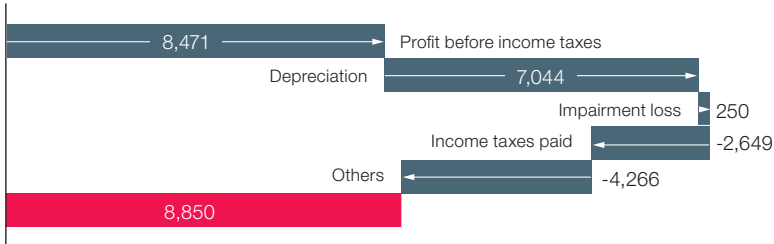
3. Analysis of Cash Flow

Cash and cash equivalents (cash) at the end of the fiscal year totaled 27,167 million yen, an increase of 1,930 million yen from 25,237 million yen at the end of the previous fiscal year.

Cash Flow from Operating Activities

Net cash provided by operating activities decreased from 13,606 million yen in the previous fiscal year to 8,850 million yen.

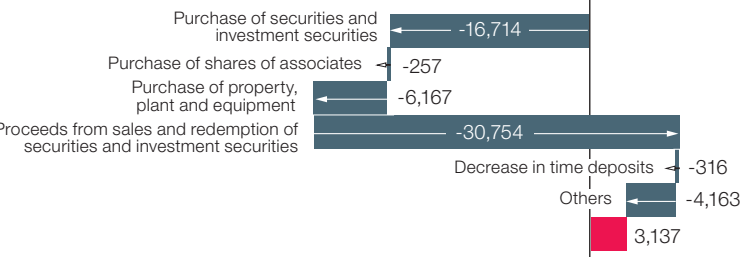
Cash Flow from Operating Activities (millions of yen)



Cash Flow from Investing Activities

Net cash provided by investing activities totaled 3,137 million yen compared with 12,555 million yen used in the previous fiscal year.

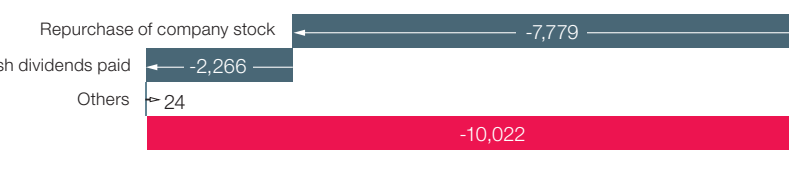
Cash Flow from Investing Activities (millions of yen)



Cash Flow from Financing Activities

Net cash used in financing activities increased from 6,671 million yen in the previous fiscal year to 10,022 million yen.

Cash Flow from Financing Activities (millions of yen)



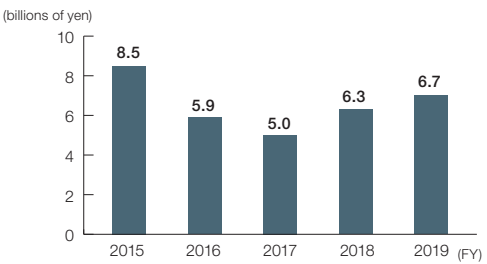
4. Capital Investments

Capital investments (including intangible assets and payments of leaseholds and guarantee deposits) totaled 6,744 million yen. There were no significant sales or retirements of facilities.

Major Capital Investments (millions of yen)

Group	Investments	Amount
Direct Selling	Rebuilding of a corporate management system	2,004
	Plant renovation and addition and update of plant equipment and facilities	1,038
	Development of a database for customer data integration	234
	Development of additional functions of the Production & Logistics system	232
Food	Renovations to new-concept shops and new openings of Mister Donut	297
Corporate	Rebuilding of a corporate management system	86

Capital Investments





## 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 the Duskin Corporate Report 2020 with an understanding that Duskin intends to provide financial and non-financial information, including its long-term value creation perspective, management strategy, business results, and ESG information, in an integrated manner for institutional investors as its main readers.

This report covers several perspectives. In my third-party opinion, I would like to focus on how the management philosophy—Sowing the Seeds of Joy—is adopted in daily business practices and how well it is demonstrated to readers.

First, the perspective of long-term value creation is illustrated in Duskin's Value Creation Model, with the six capitals as inputs for the value creation process on pages 8 and 9. The six capitals at Duskin are described in detail on page 10. Duskin's unique qualities are well structured and streamlined in a framework familiar to investors who read and evaluate many other companies' reports.

Duskin's greatest strength is its management philosophy, and franchisees can join the network only after they agree to abide by this philosophy. Another strength is that the headquarters and franchisees share common goals. This report clearly conveys these strengths.

For future improvements, the value creation model should be structured more comprehensively, with the outcome illustrating which stakeholders benefited from which fruit borne from the seeds of joy.

In particular, I expect that Duskin will consider quantifying the relationship between customer value and social value to the extent possible.

Second, corporate governance is a business foundation indispensable for Duskin to continue Sowing the Seeds of Joy. From the interview with Outside Directors on pages 68 to 69, I understand that it is well structured, which encourages open discussion. The interview also touches on the role of outside directors and discussions at the Board of Directors meetings. This helps readers to deepen their understanding of Duskin.

Third, Duskin has listed social issues—both current and those expected to arise in the near future—in Risks and Opportunities on pages 14 and 15, how Duskin is addressing these issues, and where it would plant the seeds of joy. The company is anticipating risks and at the same time foreseeing various opportunities. I expect to see Sowing the Seeds of Joy fuel growth potential in the future.

In the year 2020, the entire world has experienced the risk of an unknown and unceasing pandemic caused by COVID-19. From 2021 onward, I imagine there will also be changes in the approach to risks and opportunities, as well as CSV initiatives. Based on Duskin's management philosophy, goal sharing, and the relationship of trust it has fostered with its stakeholders, I expect that Duskin will continue to Sow the Seeds of Joy in a new environment.

I hope this report encourages in-depth discussions with stakeholders on Sowing the Seeds.

### In Response to this Third-Party Opinion

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

The focus of the Duskin Report 2020 is on helping readers to better understand our efforts to create value, together with our CSV initiatives, financial strategy and capital policy.

We appreciate the favorable evaluation, particularly for our efforts to add granularity to gain a comprehensive picture of our value creation model, its process descriptions, CSV risks and opportunities, and governance structure, including the roles of Outside Directors. With this encouragement, we will continue to further enhance activities throughout our franchise network.

With regard to Ms. Murakami's recommendations on areas for future improvement, we appreciate her precisely pointing out our challenges and will work to improve those points with more specific measures and indicators in order 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 further gains in our corporate value and the realization of a sustainable society.

**Hiroyuki Okubo**  
Director & Operating Officer,  
CSR Committee Chair

## Glossary

### B

#### Business Development Manager or 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 or 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 Seichi 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 or 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 or 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 interests. For direct selling business operators, it is prohibited to continue to solicit consumers once they decline the offer.

Corporate Information

Corporate Information (as of March 31, 2020)

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	1,974 (non-consolidated) 3,802 (consolidated)

Subsidiaries and Affiliates (as of March 31, 2020)

● Direct Selling Group ● Food Group ● Other Businesses

Consolidated subsidiaries

Japan

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

● Duskin Serve Taiwan Co., Ltd.
● Mister Donut Taiwan Co., Ltd.

History

1963	Feb.	Established Sani-Clean Company.
	Nov.	Opened Suita Laundry Plant as our first plant, manufacturing dust control products.
1964	June	Changed company name to Duskin Co., Ltd.
	Oct.	Began selling Home Duskin products throughout Japan.
1967	Sept.	Opened Mop Sewing Plant. (now operated by Wakura Duskin Co., Ltd.)
1969	Aug.	Granted full membership in International Franchise Association (IFA), the first time for a Japanese company.
1971	Jan.	Started ServiceMaster business.
	Apr.	Started Mister Donut business. Opened the first shop in Minoh, Osaka.
	July	Started business that rents industrial wiper cloth reutilizing scrapped Home Duskin cloths.
1976	Nov.	Started sales of cosmetics through tie-up with AGA Co., Ltd. (now called Health & Beauty)
1977	Apr.	Started pest control business. (now called Terminix)
1978	Jan.	Opened a 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)
1982	July	Started management service of medical institutions. (now operated by Duskin Healthcare Co., Ltd.)
1989	July	Started Merry Maids business.
1990	Sept.	Corporate Headquarters, Duskin Pia, completed in Esaka, Osaka.
	Sept.	Established Ever Fresh Hakodate Co., Ltd.
1993	Oct.	Started new franchise system, Duskin Serve 100 organization.
1994	Dec.	Started dust control business in Taiwan.
1999	Feb.	Started Katsu & Katsu business.
	Apr.	Started Catering business. (now called Drink Service)
	Nov.	Started TruGreen business. (rebranded as Total Green)
2000	June	Started Home Instead Senior Care business. (rebranded as Duskin Life Care)
2003	Apr.	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)
2004	July	Started Health Rent business.
	Sept.	Entered into comprehensive capital and business alliance with Mitsui & Co., Ltd.
	Oct.	Started Mister Donut business in Taiwan.
2006	Nov.	Started dust control business in Shanghai, China.
	Dec.	Duskin stock listed on the first section of Tokyo Stock Exchange and Osaka Securities Exchange. <small>* The cash equity markets of Tokyo Stock Exchange and Osaka Securities Exchange were integrated on July 16, 2013.</small>
2008	Feb.	Entered into capital and business alliance with MOS FOOD SERVICES Inc.
2010	Oct.	Acquired Azare Products Co., Ltd. and Kyowa Cosmetics Co., Ltd. as wholly-owned subsidiaries.
2012	May	Acquired Hachiya Dairy Products Co., Ltd. as a wholly-owned subsidiary.
2013	Nov.	Started Bakery Factory business.
2014	Mar.	Acquired Chugai Sangyo Co., Ltd. as a wholly-owned subsidiary.
	Nov.	Started the Chiffon & Spoon business.
2015	May	Opened the first Mister Donut shop in Jakarta, Indonesia.
	Oct.	Started Pie Face business.
	Oct.	Opened the Duskin Museum.
2016	Jan.	Established MD Food Tohoku Co., Ltd.
	Apr.	Started Home Repair business.
2017	Feb.	Acquired Big Apple Worldwide Holdings Sdn. Bhd. as a subsidiary.
2018	Sept.	Entered into capital and business alliance with NAC Co., Ltd.
2019	Jan.	Established Katsu & Katsu Co., Ltd.

Stock Information

Stock Summary (as of March 31, 2020)

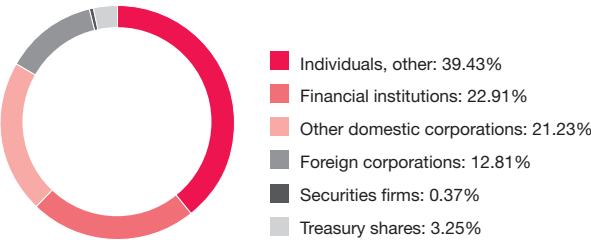
Fiscal year-end	March 31
Annual general meeting of shareholders	June
Securities code	4665
Stock listing	Tokyo Stock Exchange (first section)
Trading unit	100 shares
Number of authorized shares	200,000,000 shares
Number of shares issued	50,994, 823 shares
Shareholders	36,984
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Independent auditor	Ernst & Young ShinNihon LLC

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)	3,226	6.53
Nippon Flour Mills Co., Ltd.	1,800	3.64
Japan Trustee Services Bank, Ltd. (Trust Account)	1,724	3.49
Duskin Employee Stock Ownership Plan	1,618	3.27
Hirokata Ogasawara	1,415	2.86
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,028	2.08
Duskin Franchisee Stock Ownership Plan	1,018	2.06
Japan Trustee Services Bank, Ltd. (Trust Account 5)	996	2.02
Sumitomo Mitsui Banking Corporation	840	1.70
MOS FOOD SERVICES, INC.	760	1.54

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

Types of Shareholders



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 Empowering Women Index (WIN)

Duskin has been included in the MSCI Japan Empowering Women Index (WIN) as a company that excels in gender diversity from among the MSCI Japan IMI Top 700 Index.

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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.

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

JPX Group S&P/JPX Carbon Efficient Index

Duskin has been included in the S&P/JPX Carbon Efficient Index, an environmental stock index for ESG investing, newly selected by Government Pension Investment Fund (GPIF), the world's largest pension fund.



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.



Sumitomo Mitsui Banking Corporation ESG/SDGs

Assessment Syndication

Based on the standards created by The Japan Research Institute, Limited, an SMBC Group policy institute, Duskin has received the highest rating (AAA) for ESG/SDGs related activities and information disclosure.



Nikkei Smart Work Management

Duskin has received a high assessment as a company that puts Smart Work Management into practice to maximize the performance of the organization based on three factors: diverse, flexible working styles, a system that generates new businesses, and the ability to open new markets.

NIKKEI Smart Work ★★★★★ 2020