

# Corporate Report 2021



**Duskin Co., Ltd.**

1-33 Toyotsu-cho, Suita-shi, Osaka 564-0051 JAPAN  
[www.duskin.co.jp](http://www.duskin.co.jp)



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Editorial Policy

<b>Reference Guidelines</b>	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.	
<b>Period Covered</b>	The period covered for this report is from fiscal 2020 (April 1, 2020 to March 31, 2021). However, reports of FY2019 and before, and some activities from FY2021, are also included.	
<b>Scope of Coverage</b>	This report concerns Duskin Co., Ltd., its affiliated companies and franchised units (offices/shops/factories).	
<b>Terms</b>	Used in this report are: <b>Duskin Corporate Group</b> —Duskin Co., Ltd. and its consolidated subsidiaries; <b>Duskin Group</b> —Duskin Corporate Group and Duskin's affiliated companies accounted for by equity methods; and <b>Duskin Family</b> —Duskin Group and its franchisees (including shops, offices and plants) that agree with Duskin's management philosophy.	

<b>Time of Issue</b>	This report was published in September 2021; the next issue is scheduled for September 2022.
<b>Forward-looking Statement</b>	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.
<b>Note</b>	If the content of the report requires any revision, we will post revised data on our website at <a href="https://www.duskin.co.jp/corp/">https://www.duskin.co.jp/corp/</a> (Japanese version only).


Format and Purpose of Report Media




**Duskin Corporate Report 2021**

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 sustainability information. The primary readers are institutional investors.

[https://www.duskin.co.jp/english/esg/report/pdf/corporate\\_report2021en.pdf](https://www.duskin.co.jp/english/esg/report/pdf/corporate_report2021en.pdf)







**ESG Data Book 2021 (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 sustainability experts; it is available on the website in PDF format.

\*ESG: Environmental, Social, and Corporate Governance

[https://www.duskin.co.jp/sus/library/pdf/esg\\_data\\_book2021.pdf](https://www.duskin.co.jp/sus/library/pdf/esg_data_book2021.pdf)







**Duskin Corporate Profile 2021**

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

<https://www.duskin.co.jp/company/library/pdf/duskin2021e.pdf>






**Sustainability website**

Under the five focused themes of sustainability 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.

<https://www.duskin.co.jp/english/esg/>



Introduction

Management Philosophy

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 Ikka-no-inori (Duskin's prayer)

Money is transient.  
Social standing is unreliable.  
I shall not worry about what others think.  
Just work earnestly, walk the road of repentance.  
Give of oneself, and repay all debts with gratitude.  
This I shall do,  
with prayer

Duskin Higan (earnest wish/prayer)

Humility, wisdom, strength, a virtuous heart  
these are the things we strive to develop.  
The most important task is to develop people.  
To work is enjoyable.  
Profit is the reward of Joyous transactions.  
Through business (economics) we would be useful  
to world peace.  
with prayer



Duskin Founder Seiichi Suzuki

Seiichi 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 onward, Suzuki followed his principle of Prayerful Management, his purpose being to integrate moral and business 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. He led the Duskin Group as it paved the way to a multi-franchise business enterprise. Seiichi Suzuki passed away in 1980 at the age of 68.

**Close-up** The Core of Duskin

Keeping on sowing the seeds of joy amongst people and society at large is the very essence of The origins of our approach lie with our founder Seiichi Suzuki's philosophy. His ideals remain in

Duskin and is the driving force for the Duskin Group. practice to this day, perpetuated through the generations since his time.

Our raison d'être

# Sowing the seeds of joy for people and society

Corporate objective

**Duskin strives to unify business and morals.**

Praying for happiness is the starting point of all of our corporate activity.

**We love our fellow human beings and work to bring out the best in them.**

Through our work, we help people develop.

**We continuously train and encourage our employees to take the responsibility to ask the simple question: “May I help you?” with sincerity.**

Our goal is to be the best in the world.

**Duskin sows the seeds of joy.**

Profit is a barometer of how happy our customers are.

Our founder's philosophy

**Our founder's philosophy lives on.**

Based on our founder's philosophy, which lives on to this day, attentive care for our customers is our ultimate focus. His life principles are reflected in our management philosophy called Prayerful Management. All of our employees incorporate his philosophy of sharing joy and doing our best in all that we do in everyday life.



About Ittoen Chitoku training

Duskin's management, which unifies business and morals, arose out of founder Seiichi Suzuki's encounter with Ittoen, a self-discipline training community in Kyoto, and his experiences there. Duskin's new employees as well as franchise owners and Division Managers are required to participate in training sessions (two nights, three days) designed to educate them in Prayerful Management through their own hands-on experience.

Practices of Ittoen Chitoku training  
Rokuman Gyogan: Cleaning restrooms at local offices and private homes  
Roto: Assisting the local people with their work, in the spirit of owning nothing

The basis of our philosophy

**Profit is the reward of joyous transactions**

Duskin's founder, Seiichi Suzuki believed that profit is the reward of joyous transactions, working energetically to that end. He wished that everyone who took part in Duskin's work would be happy. Home Duskin, a modern, specially treated cloth, marked the beginning of a new way of dusting without water. Introducing this method was a big step toward realizing our founder's wishes. People called it the magic dust cloth — and it brought innovative cleaning techniques to homes across Japan.



**Franchising to achieve our business philosophy**

Duskin launched its franchising system with the hope that it would provide opportunities to make dust control into a successful business for people aligned with our philosophy of Prayerful Management. We think of franchising as a system for franchisor and franchisees to share in each other's fortunes and realize growth.



**Franchise system to sow the seeds of joy**

Duskin has a unique franchise network in which the franchisor and franchisees share the same interests and are united by the same management philosophy of Prayerful Management. At Duskin, we believe the franchising system enriches us spiritually and materially, as we support each other and continue to grow together. The franchisor 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.

**Making our customers smile**

**7,353 sales offices nationwide  
45 production/logistic facilities**

As of March 31, 2021

**Nine regional offices**

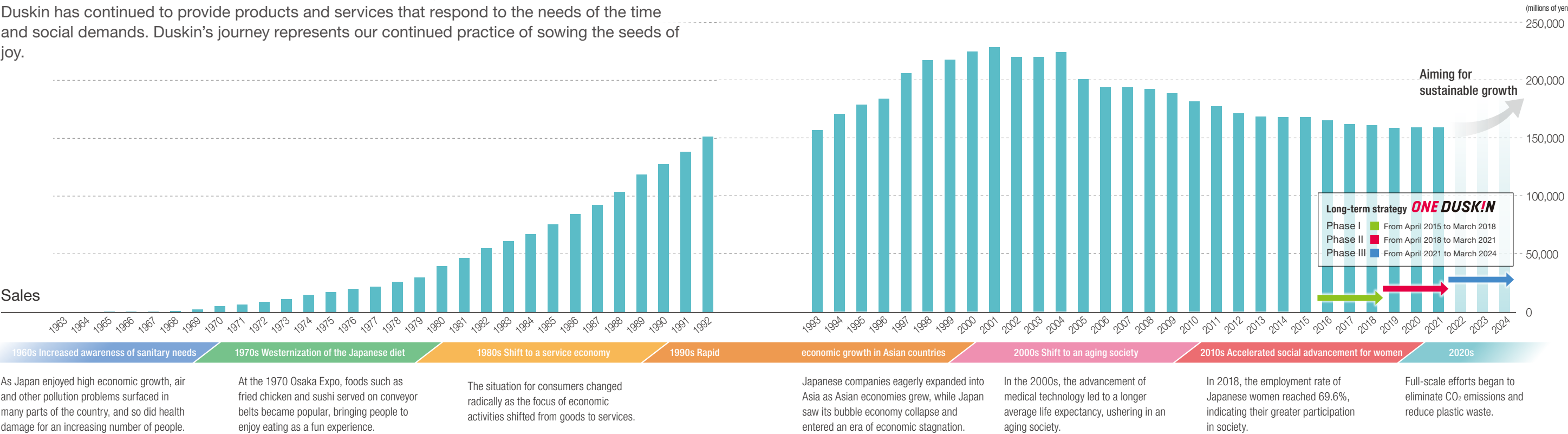
- Hokkaido
- Tohoku
- Kita Kanto
- Minami Kanto
- Tokyo
- Tokai/Hokuriku
- Kinki
- Chugoku/Shikoku
- Kyushu





# Our History of Sowing the Seeds of Joy

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 modern, specially treated cloth, marked the beginning of a new way of dusting without water. People called it the magic dust cloth and achieved tremendous popularity. It brought innovative cleaning techniques to homes across Japan.



**1969**  
**Granted full membership in International Franchise Association (IFA), the first time for a Japanese company**



**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 pest control and environmental hygiene management service (currently called Terminix) in 1977 and the total rental business, which rents daily commodities (currently 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 (now operated by 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), one of the fastest-growing markets in the world, in 2006. As of December 2020, the company developed residential and commercial markets overseas, 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 health care products, was launched.



**2004**  
**Accelerated overseas development in the Mister Donut business**

As of December 2020, there were 7,892 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**  
**Pie Face, a pie specialty store from Australia, introduced in Japan.**



**2017**  
**Mister Donut launched its MISDO GOHAN menu**

Mister Donut launches MISDO Meets, a line of products developed in collaboration with other brands.



**2019**  
**Duskin Laboratory opens as a space for co-creating new value.**



**2021**  
**The Direct Selling Group institutes a new tagline: Creating Healthy Environments.**

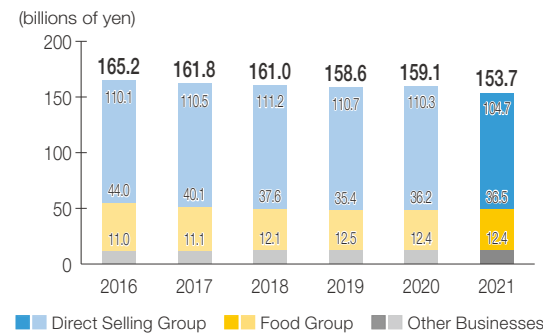




## Financial Highlights (12-month period ended March of each fiscal year)

Note: Amounts less than the stated units are dropped.

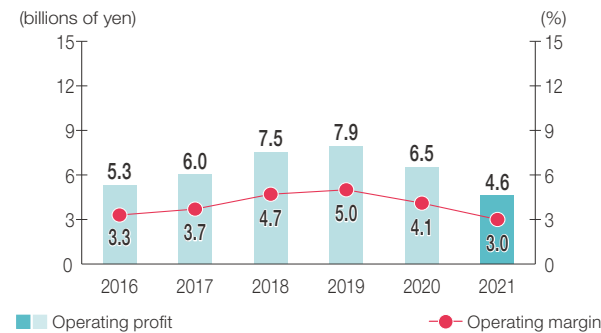
### Consolidated sales 153.7 billion yen



Consolidated sales in the fiscal year ended March 31, 2021, decreased 5,332 million yen, or 3.4%, from the previous fiscal year to 153,770 million yen. Although the Food Group reported higher sales as a result of an increase in total customer-level sales from all Mister Donut shops, the Direct Selling Group experienced a decline in sales due to the impact of COVID-19.

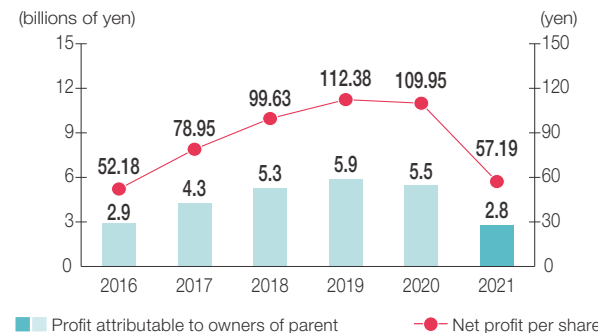
Note 1: Business segment sales do not include intersegment sales.  
Note 2: On April 1, 2018, Clean & Care Group was renamed the Direct Selling Group.

### Operating profit 4.6 billion yen



Operating profit was 4,651 million yen, a decrease of 1,926 million yen, or 29.3%, from the previous fiscal year. Gross profit decreased due to a decline in sales in the Direct Selling Group, as well as factors such as 1,137 million yen paid to replace the showcases at Mister Donut cafeteria-style shops and expenses for advertising measures implemented in the fourth quarter to increase the recognition of Duskin as a company Creating Healthy Environments.

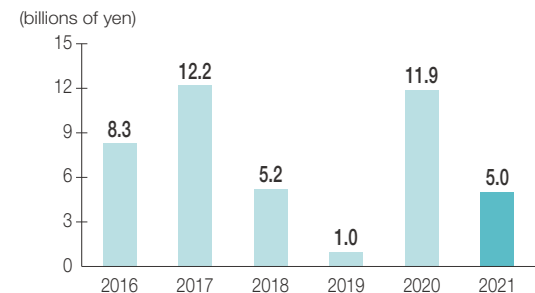
### Profit attributable to owners of parent 2.8 billion yen



Profit attributable to owners of parent for the fiscal year under review decreased 2,769 million yen, or 49.5%, from the previous fiscal year to 2,821 million yen. In addition to the decrease in operating profit, this was attributable to a decrease in the gain on sales of investment securities as well as to the distribution of 1,658 million yen in COVID-19 relief money to franchisees seriously affected by the impact of the pandemic so that they could maintain their employment.

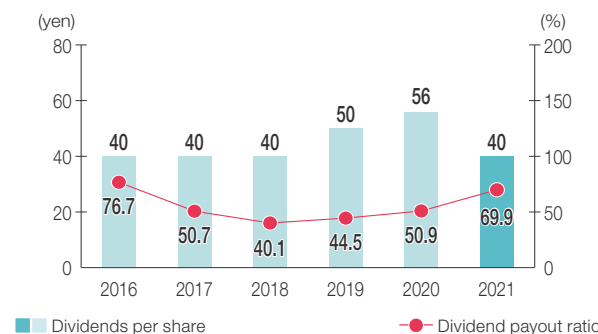
Note: From the fiscal year ended March 2016, Duskin started using Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and net income is reported as profit attributable to owners of parent.

### Free cash flow 5.0 billion yen



Net cash provided by operating activities for the fiscal year under review was 10,103 million yen. Net cash used in investing activities totaled 5,019 million yen mainly as a result of the purchase of marketable securities and investment securities. This resulted in a free cash flow of 5,084 million yen, a decline of 6,904 million yen from the previous fiscal year.

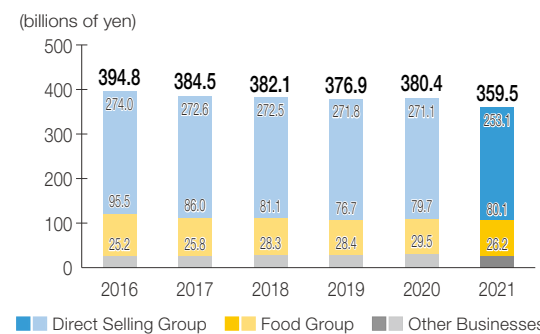
### Dividends per share 40 yen



With our focus on continuously generating stable cash dividends while securing the internal capital resources required for sound business management, we have decided that the full-year dividend for fiscal 2021 should be 40 yen per share.

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.

### Customer-level sales 359.5 billion yen



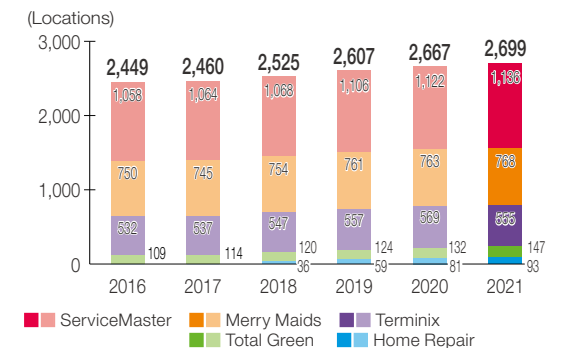
The franchise system is a source of value creation for Duskin. Customer-level sales in the fiscal year ended March 31, 2021, declined 18.0 billion yen from the previous fiscal year primarily because Direct Selling Group businesses were strongly affected by the COVID-19 pandemic. However, the Food Group reported an increase in customer-level sales for the entire fiscal year. Although the figures markedly decreased for Mister Donut in the first half of FY2020 as the government declared a state of emergency, the performance in the second half was higher than that of the same period a year ago.

Note 1: Customer-level sales are presented as a reference and represent the total of sales at company-owned and subsidiary locations and the estimated sales at franchised locations.

Note 2: Sales of overseas affiliated companies which are included in Other Businesses are sales from January to December in the previous year.

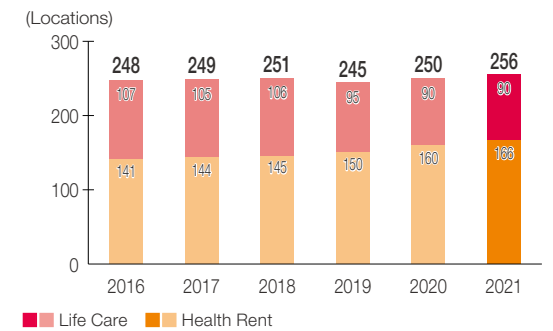
## Non-Financial Highlights (12-month period ended March of each fiscal year)

### Number of Care Service Businesses Locations 2,699



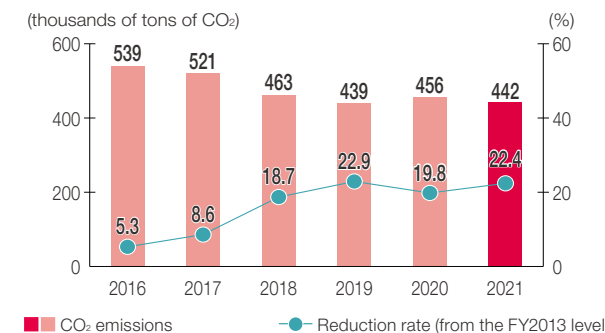
In the fiscal year ending March 31, 2021, despite the negative impact of the COVID-19 pandemic, we saw significantly greater demand for our package service for cleaning and disinfection and the residential air conditioner cleaning service because people were more aware of personal hygiene and stayed home longer. This has helped us steadily increase new franchisees. We will continue to work hard to recruit more franchisees, expecting that demand for outsourced housework and cleaning services will steadily grow.

### Number of Senior Care Businesses Locations 256



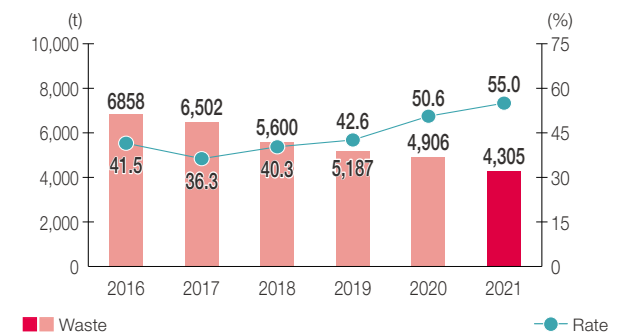
With demand remaining high, the Health Rent business reported increased sales even during the COVID-19 pandemic. The number of locations has been on the steady rise. To help customers fine-tune their daily lives with our products and services, Duskin is strengthening collaboration across business lines, including the dust control rental, cleaning and technical services, while emphasizing the hygiene domains.

### CO<sub>2</sub> emissions and reduction rate 22.4%



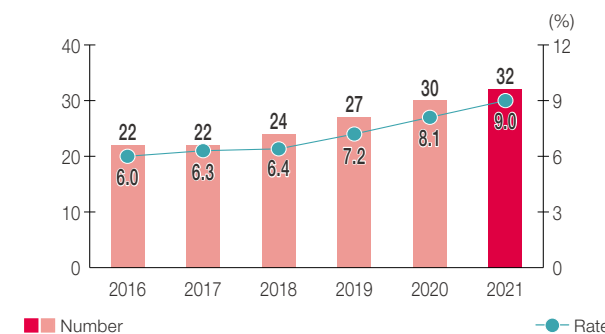
In newly established Duskin Green Target 2030, our target in FY2030 for reduction from the FY2013 level in Scope 3 CO<sub>2</sub> emissions across Duskin Group locations has been raised to 46% from the previous 26%. We strive for corporate growth and a sustainable society through our climate change actions.

### Rate of recycling food waste 55.0%



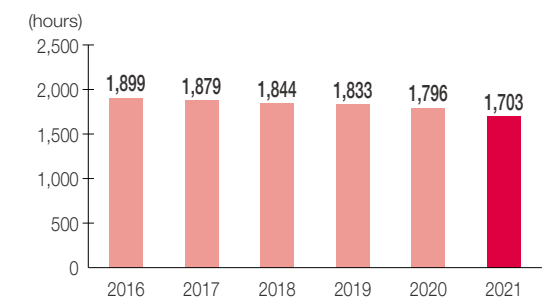
The Food Group has been working on reducing food waste. Unsold donuts are transformed in processing plants into animal feed. Under Duskin Green Target 2030, we aim to reduce food loss in the Food Group by half from the level in 2000 as a way to contribute to the creation of a recycling-oriented society.

### Rate of female employees in managerial positions 9.0%



Since many customers are women, Duskin is aware of the importance of supplying products and services that are attractive, convenient and comfortable from the perspective of women. The rate of female employees in managerial positions has been rising steadily and reached 9.0% in FY2021. Duskin will remain committed to empowering women.

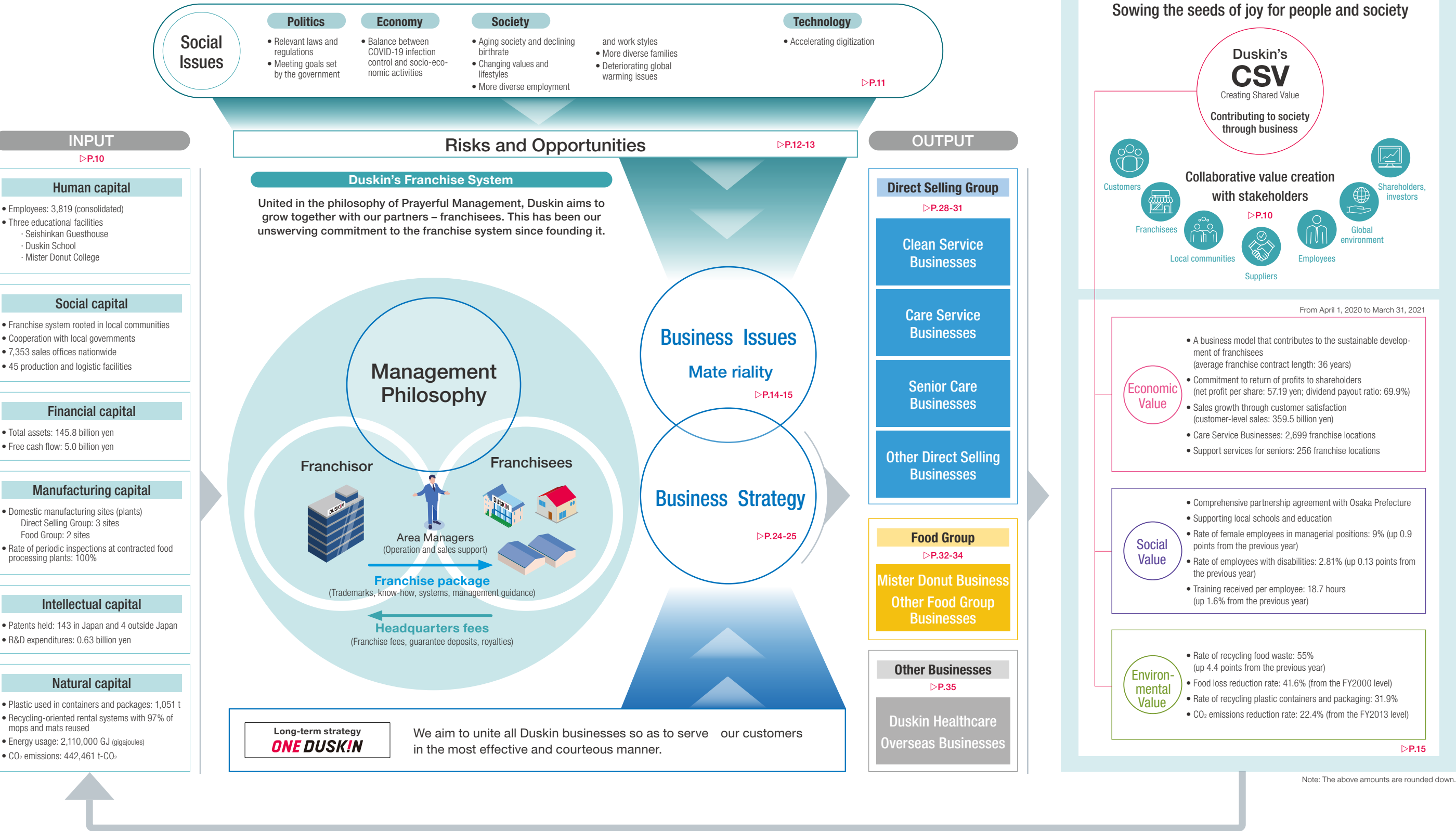
### Total annual hours worked per employee 1,703 hours



Duskin considers reducing working hours as one of its highest priorities. After setting annual working hours per employee at no more than 1,800, 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 leave, a No Overtime Work Day at least once every month and continued implementation of telework. A staggered work hour system is also in place to allow employees to work more flexibly.

# 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.



# 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. In this environment, we are prepared to respond to the changing business environment and to diversifying customer needs, which also enables us to increase our value and competitive advantage.

We are dedicated to educating and nurturing human resources at the three educational facilities of the Seishinkan Guesthouse, Duskin School and Mister Donut College.

## 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 7,353 sales offices as well as 45 production and logistic facilities. 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 best service provider in their community, Duskin service staff members must acquire the skill sets needed for supplying quality service. They also play a major role in making their offices as places to sow the seeds of joy throughout their community.

## 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. During FY2020, net assets stood at 145.8 billion yen and free cash flow amounted to 5.0 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 the Direct Selling Group and two sites for the Food Group. For the contracted manufacturing plants that process products and raw materials, we conduct 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, hygiene 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 creating healthy environments.

As of the end of FY2020, we held 143 patents in Japan and four outside of Japan. We hold patents in our core technology that is the source of our competitive capabilities, such as product forming technology, know-how and other ideas. In the previous fiscal year we invested 0.63 billion yen in R&D.

## Natural Capital

Duskin has commercialized and grown an eco-friendly recycling-oriented business based on the rental of cleaning and hygiene 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 the environment at every stage of our business flows — from raw material procurement to product manufacturing, processing, delivery, the consumption and use of products by our customers and the collection and recycling of used products. Our focus is to develop safe and reliable products and services that help to reduce our burden on the environment. Moreover, our businesses pay close attention to recycling products and materials so as to extract as much value as possible from these limited resources.

### Collaborative value creation with stakeholders

Stakeholder	Expectations on Duskin	Opportunities for dialogue
 <b>Customers</b>	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
 <b>Franchisees</b>	Duskin franchisor and franchisees share the same philosophy.	Support by our Area Managers, franchisee award programs, franchisee associations
 <b>Local communities</b>	To become the most trusted and reliable service provider building harmonious and prosperous relationships with local communities	Supporting local schools and education, Clean Up My Town, laundry plant tours, Duskin Museum, educational activities for fraud prevention
 <b>Suppliers</b>	To build strong partnerships through fair and appropriate transactions	Supplier Study Sessions, trade shows, Duskin Purchasing Clean Line
 <b>Employees</b>	Employees support each other, embrace challenges and grow together.	Labor-management council, Occupational Health and Safety Committee, hotlines, training programs, employee survey
 <b>Global environment</b>	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
 <b>Shareholders, investors</b>	To strive for enhancement of corporate governance and continuously improve our corporate value	Integrated Report, investor communication, financial results briefings, company briefings for individual investors, meetings with shareholders and institutional investors

# Materiality

We assess the SDGs and other social issues in the context of Duskin Group’s value chain and business model, and review our assessments to reflect social changes.

## Process to Identify Materiality

First, we have categorized and analyzed external conditions in the four areas of politics, economy, society and technology. Then, we have identified risks and opportunities from the perspectives of different stakeholders, namely, customers, franchisees, local communities, suppliers, employees, the global environment, and shareholders. Actions to address the identified risks and opportunities have been defined as material issues for Duskin. We have established specific activities and key performance indicators (KPIs) for them with value creation and the SDGs taken into account.









## Materiality Review

Even amid profound changes in the environment surrounding Duskin, we remain eager to pursue higher corporate value. We move forward with the concept of CSV (Creating Shared Value) to resolve economic, social and environmental issues through our business activities, and boost governance in ways that drive our creation of economic value, social value and environmental value at the same time. To this end, we have reviewed our material issues which had a strong component of Corporate Social Responsibility (CSR), and evolved the issues into the ones that aim to create shared value (CSV), while also taking into account our contribution to SDGs. The updated material issues were decided after deliberation by the Sustainability Committee.














Previous material issues	Material issues for value creation
<div><b>Focused CSR areas</b>  <b>Sustainable development of society</b><ul style="list-style-type: none"><li>Co-create value in the franchise chain</li><li>Build responsible supply chain management</li></ul><b>Human resource development</b><ul style="list-style-type: none"><li>Create a diverse and inclusive workforce</li></ul><b>Eco-friendliness</b><ul style="list-style-type: none"><li>Contribute to the creation of a recycling-oriented society</li><li>Address climate change</li></ul></div>	<div><b>Focused CSV areas</b>  <b>Economic value</b><ul style="list-style-type: none"><li>Expand products and services in the hygiene domain</li><li>Expand Care Service and Senior Care Businesses with franchise recruitment</li><li>Adapt shops and shop operations to new lifestyles</li></ul><b>Social value</b><ul style="list-style-type: none"><li>Co-exist and co-prosper with communities</li><li>Provide safe, reliable and sustainable products and services</li><li>Promote diversity and inclusion</li><li>Support employees' growth and career development</li><li>Promote work-style reform and health-focused management</li></ul><b>Environmental value</b><ul style="list-style-type: none"><li>Contribute to the creation of a recycling-oriented society</li><li>Address climate change</li></ul><b>Governance</b><ul style="list-style-type: none"><li>Achieve more effective governance</li></ul></div>



## Recognized Risks and Opportunities

Social issues and external environment			Stakeholder	Risks	Opportunities	Material issues
Politics	Relevant laws and regulations Meeting goals set by the government	<ul style="list-style-type: none"> <li>Establishment of hygiene management systems in compliance with HACCP</li> <li>Carbon-free society by 2050</li> <li>Tokyo Stock Exchange market reorganization and the revision of Japan's Corporate Governance Code</li> </ul>	 <b>Customers</b>	<ul style="list-style-type: none"> <li>Lower motivation of customers to use services and lost business opportunities from slow response to changing social needs</li> </ul>	<ul style="list-style-type: none"> <li>Higher need for routine hygiene management</li> <li>Higher burden of hygiene management and infection control for shops and offices</li> </ul>	Expand products and services in the hygiene domain
				<ul style="list-style-type: none"> <li>Decline in customer satisfaction and trust from providing inadequate services</li> <li>Decline in dine-in demand</li> </ul>	<ul style="list-style-type: none"> <li>Increased use of outsourced services to cope with staff shortages and improve management efficiency</li> <li>Growth in takeout and delivery demand</li> </ul>	Expand Care Service and Senior Care Businesses with franchise recruitment Adapt shops and shop operations to new lifestyles
Economy	Balance between COVID-19 infection control and socio-economic activities	<ul style="list-style-type: none"> <li>Recovery of the Japanese economy from the slump</li> <li>Growth in stay-at-home consumption</li> <li>Accelerated shift toward a circular economy</li> </ul>	 <b>Franchisees</b>			
Society	Aging society and declining birthrate	<ul style="list-style-type: none"> <li>Shrinking working population</li> <li>Intensifying competition for talented personnel</li> <li>Regional revitalization (invigorating communities)</li> </ul>	 <b>Local communities</b>	<ul style="list-style-type: none"> <li>Deteriorating relationship with local communities due to insufficient communication</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to regional safety, security and economic invigoration</li> </ul>	Co-exist and co-prosper with communities
	Changing values and lifestyles	<ul style="list-style-type: none"> <li>Increased hygiene consciousness</li> <li>Greater awareness of the SDGs and the environment</li> <li>Focus on the quality and safety of products and services</li> </ul>	 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>Product supply disruption and quality deterioration arising from supply chain problems</li> </ul>	<ul style="list-style-type: none"> <li>Procurement risk management and closer partnerships</li> </ul>	Provide safe, reliable and sustainable products and services
	More diverse employment and work styles	<ul style="list-style-type: none"> <li>More women working</li> <li>Spread of teleworking</li> <li>Engagement in diversity and health-focused management</li> </ul>	 <b>Employees</b>	<ul style="list-style-type: none"> <li>Declined organizational competence due to a lack of diversity</li> <li>Lost business opportunities from outflow of talented personnel</li> <li>Lower labor productivity and higher health-related costs</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new value by embracing diversity and fostering a sense of unity in the organization</li> <li>Higher organizational competence and employee loyalty by hiring and developing talented and diverse employees</li> <li>Higher labor productivity and better health by creating rewarding work environments</li> </ul>	Promote diversity and inclusion Support employees' growth and career development Promote work-style reform and health-focused management
Technology	Accelerating digitization	<ul style="list-style-type: none"> <li>Online options more favored</li> <li>Rapid informatization and expansion of the use of personal data</li> </ul>	 <b>Global environment</b>	<ul style="list-style-type: none"> <li>Social criticism and higher disposal costs from increased waste</li> <li>Surging energy expenses due to stricter environmental regulations; business damage from increased extreme weather events</li> </ul>	<ul style="list-style-type: none"> <li>Higher recycling rates through effective resource use; a switch to renewable resources</li> <li>Reduced environmental impact through rational use of energy and wide use of renewable energy</li> </ul>	Contribute to the creation of a recycling-oriented society Address climate change
				<ul style="list-style-type: none"> <li>Business continuity risks and unexpected losses due to malfunctioning governance system</li> <li>Damage to reputation due to lack of ESG initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Business portfolio optimized for changes in social issues dialog for sustainable corporate value creation</li> <li>Fulfillment of social responsibility and enhancement of confidence</li> </ul>	Achieve more effective governance

## Material Issues and Creating Shared Value

	Material issues	Major activities	CSV	KPI targets for the end of FY2023	Contribution to SDGs
Material issues in management	Expand products and services in the hygiene domain	<ul style="list-style-type: none"> <li>Broaden the lineup of disinfection, antibacterial and antiviral products and services</li> <li>Develop hygiene products and services in the new business domains: air purification and no contact</li> <li>Make mops, mats and other core products antibacterial and antiviral</li> <li>Provide hygiene service package solutions with infection control options added</li> </ul>	Economic value	<ul style="list-style-type: none"> <li>Share of hygiene-related sales in total sales: 55%</li> </ul>	 3.3 3.8  8.2
	Expand Care Service and Senior Care Businesses with franchise recruitment	<ul style="list-style-type: none"> <li>Open new company-owned offices based on the urban franchise package (Care Service)</li> <li>Recruit more franchisees (Care Service and Senior Care)</li> </ul>		<ul style="list-style-type: none"> <li>Newly opened locations in Care Service Businesses: 206 (End of FY2020 2,699 locations)</li> <li>Newly opened locations in Senior Care Businesses: 84 (End of FY2020 256 locations)</li> </ul>	
	Adapt shops and shop operations to new lifestyles	<ul style="list-style-type: none"> <li>Encourage shops to offer delivery service</li> <li>Make online ordering available</li> </ul>		<ul style="list-style-type: none"> <li>Delivery service available at 635 shops</li> <li>Sales from online ordering service: 8%</li> </ul>	
	Co-exist and co-prosper with communities	<ul style="list-style-type: none"> <li>Offer on-site lessons to help children learn the importance of cleaning</li> <li>Work with local governments in such areas as infection control, hygiene management, child and elderly welfare and promotion of local specialties</li> </ul>	Social value	<ul style="list-style-type: none"> <li>500 on-site lessons per year; seminars for schoolteachers at 25 sites per year</li> <li>Conclusion of a comprehensive partnership agreement with Osaka Prefecture</li> </ul>	 4.1  9.4
	Provide safe, reliable and sustainable products and services	<ul style="list-style-type: none"> <li>Ensure the implementation of the quality assurance system</li> <li>Diversify procurement sources and consider alternative materials to ensure stable procurement</li> </ul>		<ul style="list-style-type: none"> <li>Rate of periodic inspections at contracted food processing plants: 100%</li> <li>Continuity plans were complete for 60 products at the Direct Selling Group.</li> </ul>	
	Promote diversity and inclusion	<ul style="list-style-type: none"> <li>Establish a third action plan under the Act on Promotion of Women's Participation and Advancement in the Workplace</li> <li>Hire more people with disabilities</li> <li>Hire workers from abroad under the government-sponsored household worker hiring program</li> </ul>		<ul style="list-style-type: none"> <li>Set the target rate of female employees in managerial positions in a third action plan (FY2022-FY2025)</li> <li>Obtain "Eruboshi" certification under the government program to recognize companies committed to woman empowerment</li> <li>Employment ratio of people with disabilities: 3% or higher</li> <li>Hire staff from abroad: 45 members</li> </ul>	 3.d  4.4  5.1 5.5  8.5 8.8
	Support employees' growth and career development	<ul style="list-style-type: none"> <li>Set clear objectives for group training and e-learning and establish and enhance well-coordinated training systems</li> </ul>		<ul style="list-style-type: none"> <li>Hours of training per person per year: 15 hours or more</li> <li>Rate of respondents feeling fulfilled in their career in employee surveys: 80% or higher in all generations</li> </ul>	
	Promote work-style reform and health-focused management	<ul style="list-style-type: none"> <li>Encourage diverse work styles and adjust annual working hours to adequate levels</li> <li>Make the entire Duskin Group certified as a Health &amp; Productivity Management Organization</li> </ul>		<ul style="list-style-type: none"> <li>Total annual hours worked per employee: 1,800 hours or less</li> <li>Rate of teleworking among eligible employees: 40%</li> <li>Affiliates certified as Health &amp; Productivity Management Organizations: 27</li> </ul>	
	Contribute to the creation of a recycling-oriented society	<ul style="list-style-type: none"> <li>Maintain the rate of reused mops and mats (plants)</li> <li>Reduce food loss and recycle food waste</li> <li>Implement the 3Rs (reduce, reuse, recycle) for plastics; switch to renewable materials</li> </ul>	Environmental value	<ul style="list-style-type: none"> <li>Maintain a rate of reused mops and mats: 97%</li> <li>Rate of recycling food waste: 60%</li> </ul>	 7.2 7.3  12.2 12.3 12.5
	Address climate change	<ul style="list-style-type: none"> <li>Encourage introduction of certified low-emission automobiles</li> <li>Use more renewable energy in addition to meeting the CO<sub>2</sub> emission reduction targets</li> <li>Identify climate change risks and opportunities; disclose financial impact</li> </ul>		<ul style="list-style-type: none"> <li>Register brand-new 3,760 certified low-emission automobiles (End of FY2020 4,163 cars)</li> </ul>	
Material issues in management systems	Achieve more effective governance	<ul style="list-style-type: none"> <li>Enhance the function of the Board of Directors</li> <li>Implement appropriate financial capital policies</li> <li>Foster stakeholder engagement</li> </ul>	Governance	<ul style="list-style-type: none"> <li>Comply with Japan's revised Corporate Governance Code</li> <li>Increase the total shareholder return (TSR), using TOPIX including dividends as an index for comparison</li> <li>Become included in all ESG stock indices selected by GPIF</li> </ul>	 11.b  16.10
		<ul style="list-style-type: none"> <li>Ensure compliance and manage associated risks</li> </ul>		<ul style="list-style-type: none"> <li>Build and operate a system for protecting and managing personal information</li> <li>Continue the improvement of the preparedness manual for large-scale natural disasters, which serves as the BCP for the franchisor and franchisees</li> </ul>	 17.14 17.16



## A Message from the President



**Teruji Yamamura**  
President and CEO

Due to the coronavirus pandemic, the public is now much more aware of the need for proper cleanliness, which has meant that demand for hygiene management and associated measures to combat the virus has intensified dramatically. Making the shift to leader in hygiene, health and cleanliness, Duskin has now made it clear that we are assisting our customers to perfect their hygiene environment through our high-quality products and services, which have been developed over our many years in the business. Based on our new Medium-Term Management Policy, we have implemented a host of reforms in response to the needs of the changing times, boosting our governance to achieve a multiplier effect of economic, social and environmental value — all with a view to achieving sustainable growth.

With the goal of being the most attentive service provider in the world, we continue on our course of growth as a company that prides itself on considering the needs of others and bringing people joy.

### A look back at fiscal 2020 and current circumstances

Fiscal 2020 (year ended March 31, 2021) marked the final year of our Medium-Term Management Policy 2018, Phase 2 of our long-term strategy ONE DUSKIN. Developing the model we created in Phase 1, we have drawn up a plan designed to engender further growth. However, the coronavirus pandemic has greatly impacted our business since the third quarter of fiscal 2019. In order to fulfill our biggest responsibility, which is to maintain our franchise system, we have focused on sales recovery strategies while at the same time assigning priority to the safety of our customers, franchisees and employees. Still we were below our targets due to the pandemic. Though we did not reach our numerical goals, we believe that the policies we implemented last fiscal year form the foundations of growth for Phase 3. During the current fiscal year, we were slated to announce a new Medium-Term Management Policy starting in this fiscal year ending March 31, 2022, but due to uncertainty over the coronavirus pandemic, we have had to postpone our plans. We will be publicizing our new policy, including numerical goals, as soon as it becomes feasible.

Fiscal 2020 marked a year where all of our group businesses were heavily impacted by the coronavirus pandemic. During the first half in particular, we were plagued by problems with customers who were forced to close store locations during the State of Emergency Declaration, and further by the cancellation or postponement of numerous events. This led to a dramatic decline in sales for the Direct Selling Group's dust control products and our Rent-All business. Though our performance fell on the previous year, at the same time the pandemic ushered in greater awareness of cleanliness and hygiene as well as a higher percentage of time spent at home. These factors led to a large increase in demand for a hygiene service package combining professional cleaning and technical services, as well as home air conditioner cleaning services. Sales of antibacterial mats and alcohol sanitizers as well as air purifiers climbed. Under the next Medium-Term Management Policy, our plan is to further boost these kinds of cleaning and hygiene products.

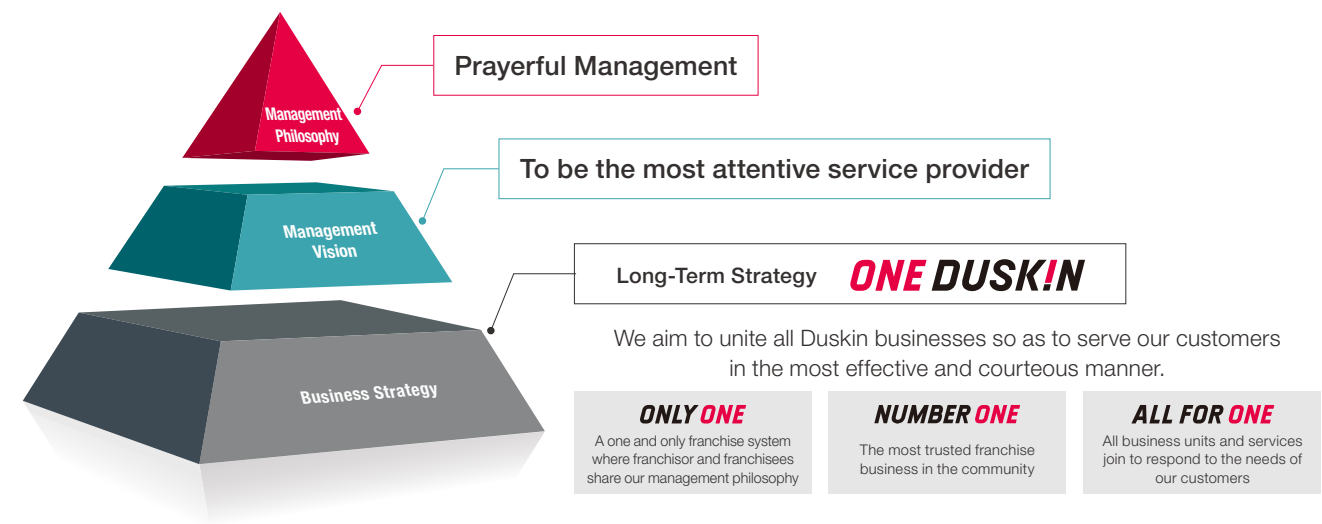
In the Food Group, Mister Donut, which had recently celebrated its 50th anniversary, was heavily impacted by the coronavirus pandemic during the first half of the year. During the second half, however, demand grew for takeout, and our MISDO Meets, a series of menu items jointly developed in recent years with other companies, received high marks. The result was an increase in total customer-level sales for the full year of 1.1% over the previous year. Led by the increase in sales for Mister Donut, sales for the Food Group saw an increase of 0.8% over the previous year.

### Duskin's role and vision for the future

#### Leading the way in creating clean and healthy environments

In light of the coronavirus pandemic that began last year, we have devised a framework for creating clean and healthy environments on a daily basis on all fronts. We have announced a major policy shift, from a cleaning company to one that creates clean and healthy environments. By letting potential customers know that Duskin's products and services are there to help them create clean and healthy environments, it is our hope that we will reach a different customer base than before. Demand for creating healthy environments





has been greatly stimulated by the coronavirus pandemic, such that even younger generations have become more sensitive to hygiene and cleanliness. For this potential new audience, instead of cleaning services, we offer to help maintain a clean and hygienic living environment, working together with the customer. To achieve our goals in this regard, we contract with third-party institutions in order to guarantee antibacterial and antiviral properties of our products. Also, we plan to generate new growth opportunities by way of joint development with research institutes and universities that can help us to further enhance the hygienic attributes of our products, as well as investment in venture companies.

As for overseas development, we have broadened our pest control services in Taiwan with a view to maintaining a growth path. In China, we are moving ahead with cleaning businesses other than dust control. Our services have earned a reputation for high quality compared to other companies. These factors, along with the fact that Japan's hygiene standards are trusted in the Asia region, we believe that there are possibilities for expanding on our brand — Duskin as a leader in hygiene, health and cleanliness — in other countries as well as in Japan.

As for the Food Group, in addition to initiatives to increase takeout demand at Mister Donut shops, we have also implemented online ordering services as a contactless sales method. Because the Food Group had terminated an unprofitable business during the previous year, we will step up a review of our various businesses and optimize our business portfolio in order to focus investment on strategic businesses.

Division of labor between information dissemination and distribution

Amongst measures outlined in our new Medium-Term Management Policy, a particularly important one is restructuring information dissemination and distribution of products by way of digital transformation strategy. While franchise operation is considered a Duskin strength, for some customers, there was a delay in our collecting information about the products they use or they were not informed about the products and services. To resolve this issue, while sharing customer information between the franchisor and franchisees, we have changed our system such that Duskin headquarters is responsible for dissemination of information on products and services, while it is primarily our franchisees that distribute products. Through this division of labor, Duskin headquarters is able to directly assess customer needs and solve any issues.

Regardless of these changes, the management philosophy of our founder, which was to sow the seeds of joy amongst people and the greater society, remains unchanged. Indeed we are implementing various types of reform in response to the changing times for the very purpose of fulfilling our role as a company that continues to grow and serve the public.

ESG initiatives to achieve long-term growth

Doing our part for decarbonization

With a view to going carbon neutral by 2050, the Japanese government has set a goal of a 46% reduction of CO<sub>2</sub> emissions in 2013 by 2030 — an indication of a greater focus on corporate decarbonization. Our business is based on a recycling business model where rental mops and mats are washed and reused. As we continue to bolster our ESG initiatives, we boost corporate value, which in turn leads to business growth.

One environmental initiative that we are considering is to replace the numerous vehicles used for rentals, sales and technical services around the country with electric vehicles. In addition, by optimizing delivery routes, one approach may be to reduce the number of vehicles deployed while maintaining sales. In order to gain understanding from our franchisees, these initiatives must be implemented gradually, but meanwhile we need to establish key performance indicators (KPIs) as we gradually make the shift.

Human resource development by taking up challenges

A long-term initiative to address the “S” in the “ESGs” — which refers to human resources or “social” — is to extend the re-employment age to 70 years. At present, the regular retirement age is through 60, and re-employment is an option through the age of 65. We are currently planning to change the former to 65 and the latter to age 70 over the next 10 years. In April 2021, to improve the efficiency of our operations, we launched our Shared Services Center, which integrates the administrative aspect of our businesses in one department. Along with streamlining corporate administration over the next three years, we are slated to re-organize our organizational systems.

As of next April, we will be adopting a new human resource system, under which talented employees can continue to get promoted and move into management—even skipping several ranks on merit. Due to recent trends such as double-income couples and the need for in-home care for family members, we are seeing a growing number of employees who do not want to be transferred. To meet these changing needs of the times, our plan is to build flexibility into our human resource systems and work options, and welcome a diverse array of personnel.

Our ideal employee is capable of thinking and taking action on their own. While speaking one's mind can certainly cause rifts between people, innovation does not tend to come about when everyone simply agrees. Our founder believed that fearing failure and not taking action is worse than trying hard but not succeeding. I myself have faced many circumstances where things did not go well, but because I am not afraid of failure and was determined to achieve my goals, I chalked these failures up to experience, simply deciding that a particular method did not work. I would then apply what I learned to the next challenge.

Over the course of the 58 years since Duskin was established, we have been engaged in approximately 200 business projects, only about 14 of which have continued through the present time. When broken down into percentages, this is merely 5% to 10%. Conversely, this amounts to a 90%-plus failure rate yielding our current success, which is the reason we believe trial and error helps employees to develop.

Decision-making for the public good

Lastly, on governance, we revised our Operating Officer System three years ago, at which time we added a system where we hold strategic deliberations on different themes each time to the customary decision-making process by the Board of Directors. Dynamic deliberations have ensued, due in large part to the role of Outside Directors in these meetings. At present, we have three Outside Directors, each from different fields, two of whom are women, and our plan is to continue with this format in the future. We also have our Outside Directors share other roles besides the Board meeting, including product development meeting, information system meetings and the Quality Assurance & Environment Committee. Our Outside Directors have even come to my office, at which time I have had the opportunity to hear their very important opinions as business managers.

Japan's revised Corporate Governance Code was enacted this year. The code has become stricter as more demands are made of corporate governance. Our mission as a stock market-listed company is to implement reform in accordance with our governance code, along with full disclosure. In order to be able to continuously implement transparent management, it is critical that employees are more concerned with serving society than with the benefit of the company. We believe that a company must in essence be a group of people that can decide whether or not a set of policies benefits the public or not.

Keeping ahead of changes and being good on “four sides”

The strength of our franchise chain lies in the fact that we have developed a solid relationship of trust between the franchisor and franchisees rooted in our corporate philosophy. One key role of our company is to protect our franchisees in the event of extraordinary circumstances. In this connection, in the spring of 2020, when the impact of the coronavirus pandemic became apparent, we gave relief money not only to our franchise owners but also to our Mister Donut employees, including part-time workers. The money was distributed to the recipients extremely quickly, and we received many words of thanks from our people working on-site. It is precisely because of the close relationship between Duskin headquarters and our franchisees, which share the philosophy of sowing the seeds of joy, that we were able to act promptly and precisely under these circumstances.

Our corporate philosophy of Prayerful Management perfectly fits the modern term “creating shared value” (CSV). This idea is also akin to the old-fashioned idea that if all is good with the seller, buyer and the public, then all is right on the “three sides.” Our company adds a fourth — the party that delivers our products and



services — the franchisees. This is why we talk about “good on all four sides.” At this juncture 58 years since our founding, we have a renewed sense of the fact that our company is built on a relationship of trust with our franchisees. Our franchisees have at this point in time changed hands two or three times, some within families, yet due to our solid management philosophy, the franchisor and franchisees continue to work together to carry out our destiny as a franchise.

To our stakeholders

Our new Medium-Term Management Policy is the final phase of our long-term strategy ONE DUSKIN, and we are at the point where we can now foresee the future after the strategy. Over the next three years, in accordance with the four themes of: (1) expanding existing businesses, (2) investment in new growth opportunities, (3) implementing structural reform and establishing a solid foundation and (4) coexistence with local communities, we are working to engender a multiplier effect between economic, social and environmental value as we step up our business base. The ultimate goal is to achieve sustainable growth. Although we have yet to foresee the end of the coronavirus pandemic, we at Duskin pledge to work with the localities in which we operate for not only coexistence but co-prosperity, and to help resolve economic, social and environmental issues through our safe, reliable and sustainable product and service lines. By way of this variety of means, we are dedicated to achieving a happier, more affluent life for all of our stakeholders. We deeply appreciate all of your collaboration and support for our Group, now and in the future.

山村輝治

Teruji Yamamura  
President and CEO  
Duskin Co., Ltd.

Policy to address the coronavirus and prevent infection

Duskin assigns top priority to the safety of our customers. By compiling strategies to prevent infection and ensure safety, we are working to serve the greater society.

<p><b>Maintaining our franchise chain</b></p> <p>As a franchisor, Duskin headquarters backs up its franchisees to maintain shop and sales locations around the nation.</p>	<p>① In May 2020, relief money was given to all of our franchise owners and their employees on all of our business. (Total 1,658 million yen)</p> <p>② Unused products returned to Duskin headquarters; expired Mister Donut unused ingredients also returned.</p> <p>③ Duskin puts hold on collection of accounts receivable from franchisees and provides financing</p> <p>④ Doors added to showcases at cafeteria-style Mister Donut locations (1.137 billion yen)</p> <p>⑤ Investment in advertising and promotion made with a view to recovery of Direct Selling Group sales</p>
<p><b>Direct Selling Group: Making the shift from a company engaged in cleaning services to a company forging healthy environments.</b></p> <p>As the importance of hygiene management intensifies, we develop products and services with a focus on health and hygiene.</p>	<p><b>For commercial customers</b>    Becoming a provider of hygiene management</p> <p>• ServiceMaster Antibacterial Cleaning Package    • Event Hygiene Services</p> <p><b>For residential customers</b>    Becoming a one-stop shop for family lives</p> <p>• Merry Maids home disinfecting option    • TuZuKu Long-lasting Disinfectant and Cleaner</p>
<p><b>Food Group: Creating shops where “something good” actually happen for customers</b></p> <p>We create an environment where customers can feel comfortable in our shops while adopting an easy takeout system so that we can continue to deliver great-tasting products</p>	<p><b>Keeping ahead of the needs of the changing times, our goal for Mister Donut is universal, any-time access</b></p> <p>• Web reservation system    • Central control kitchen</p> <p>• Drive-through    • Development of manpower-reducing shops</p> <p><b>Product strategy to realize “something good” for customers</b></p> <p>• MISDO Meets collaborative products    • Collaboration with other brands on mascot characters</p> <p>• Stepping up MISDO GOHAN takeout    • 50th anniversary commemorative takeout box</p>



# Review of Past Medium-Term Management Policies

	FY2010 - FY2011	FY2012 - FY2014	FY2015 - FY2017 Long-Term Strategy ONE DUSKIN Phase I
Vision/ Positioning	We aim to be regarded as the world's most attentive product and service provider by our customers in every community.	We will reform and improve all aspects of our systems from product development to sales channels, so that all of our customers feel that "Duskin is empathetic, familiar and easy to access."	We will formulate the action plan "Commitment & Action" or the Phase I of our Long-Term Strategy ONE DUSKIN to build the foundation for the realization of the nine-year-long strategy.
Plan Outline	To swiftly resolve the issues of people, products and services and system, we will consolidate existing businesses that had been individually developed into the following two: <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> <b>Priority issues</b> <ol style="list-style-type: none"> <li>Business operations led by regional offices</li> <li>Women's involvement in development and planning of products and services, business operations and enhancement of training</li> <li>Expanding customer contact points</li> <li>Raising efficiency; strengthening the corporate structure</li> </ol>	We will review all of our services to ensure our operations are seen from the customers' perspective. These reviews are conducted jointly by the head office, which focuses on service and product development, and regional offices, which concentrate on responding to customers in each regional market. <b>Priority issues</b> <ol style="list-style-type: none"> <li>Operational system reform: We will transform the system for delivering products and services to customers into a customer-oriented one that meets the needs of the times.</li> <li>Corporate structure reform: To reduce costs, we will review the system from production to distribution.</li> <li>Original and imaginative approaches to change the status quo: We anticipate the needs of our customers in each region and formulate policies.</li> <li>New growth: We will expand the Dust Control and Mister Donut businesses overseas</li> </ol>	During the first three years of Phase I, we strive to recover our business performance and put it on a growth track through the following initiatives. <b>Basic approaches</b> <ol style="list-style-type: none"> <li><b>Business model development:</b> We will develop a business platform for Duskin and its franchisees to share and make the most of customer information.</li> <li><b>New growth:</b> We will focus on developing new businesses, and expand the Clean &amp; Care and Mister Donut businesses overseas.</li> <li><b>Structural reform:</b> We will review the cost structures of production and logistics, distribution, procurement and information systems and focus on improving the profit structure.</li> <li><b>Enhancement of corporate governance:</b> In addition to our goal of fair and transparent management, we will strengthen our corporate governance as part of our growth strategy.</li> </ol>
Review	We took the following initiatives: <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.</li> <li>Appointed more women in the product development and advertising sections.</li> <li>The 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>	We took the following initiatives: <ul style="list-style-type: none"> <li>Built a new system for delivering rental mops to customers, such as by 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>We 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. We continued to introduce new products and services as part of our efforts to strengthen product and technological development, but challenges remained for the group as a whole to achieve growth.</p>	The first three-year phase made a foothold on achieving the ONE DUSKIN strategy. <p>We initiated the following:</p> <b>New businesses</b> <ul style="list-style-type: none"> <li>Rebranded the Home Instead business into the Duskin Life Care business to strengthen services for the senior market.</li> <li>Started the Home Repair business as a new technical service.</li> </ul> <b>Overseas development</b> <ul style="list-style-type: none"> <li>Made Malaysia's largest donut chain, Big Apple, a subsidiary.</li> </ul> <b>Growth of existing businesses</b> <ul style="list-style-type: none"> <li>The Clean &amp; Care Group reinforced its direct selling business model and hygiene 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>We have implemented reforms to help customers 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, which is largely because we were able to minimize opportunity loss 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>We have succeeded in reducing costs by implementing various cost-reduction measures, such as production and distribution system reforms.</li> <li>Building a policy planning system tailored to regional characteristics has enabled swift policy implementation.</li> </ul>	<b>Clean &amp; Care Group</b> <ul style="list-style-type: none"> <li>For residential customers, membership of the DDuet website has increased from 70,000 at the end of March 2015 to 580,000 at the end of March 2018, thanks to the efforts to publicize its extensive membership benefits.</li> <li>For commercial customers, we have strengthened our structure and foundation for providing services to maintain cleanliness and hygiene by developing Hygiene Masters equipped with the specialized and sophisticated knowledge.</li> </ul> <b>Structural reform</b> <ul style="list-style-type: none"> <li>Profitability was improved due to cost reductions in procurement, production and logistics.</li> </ul>
Issues	<ul style="list-style-type: none"> <li>We have 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.</li> <li>Sales for residential customers were at the same level as in the previous year due to the introduction of the LaLa floor mop. Sales for commercial customers, 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>Overseas, we increased the number of locations in existing markets but were not successful in entering new countries.</li> </ul>	<ul style="list-style-type: none"> <li>The Clean &amp; Care Group trained sales representatives to function like concierges for residential customers and strengthened hygiene management services with Hygiene Masters. Leveraging these service structures, the Clean &amp; Care Group needs 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>

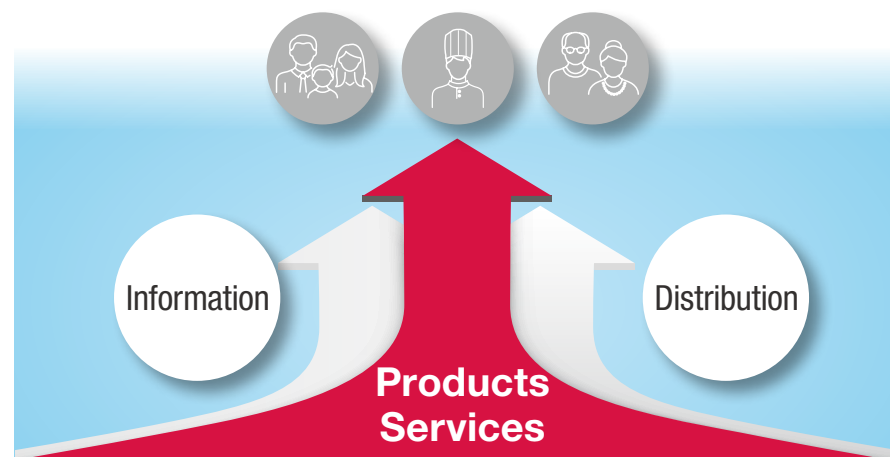
# Review of the Phase II of the ONE DUSKIN Long-Term Strategy

	Phase I Medium-Term Management Policy 2015	Phase II FY2018 - FY2020	Phase III
	<b>Medium-Term Management Policy 2018</b> <p><b>Numerical targets</b> — consolidated sales: 169 billion yen, consolidated operating profit: 8.2 billion yen  <b>FY2020 results</b> — consolidated sales: 153.7 billion yen, consolidated operating profit: 4.6 billion yen</p> <p>Our goal in Phase II was to continue to develop the business model that we created in Phase I but was not achieved mainly due to the impact of the worsening coronavirus pandemic. Still, we were able to build the foundations for our ONE DUSKIN Long-Term Strategy in the following aspects.</p>		
1. New growth	<b>Basic Strategy</b> <ul style="list-style-type: none"> <li>New business development</li> <li>M&amp;A, business alliances with public sector</li> </ul>	<b>FY2020 Results</b> <ul style="list-style-type: none"> <li><b>Increased demand for the Care Service and Senior Care businesses</b> <ul style="list-style-type: none"> <li>In the Care Service and Health Rent businesses, which are considered growth markets, we have stepped up opening of new locations in areas lacking locations.</li> </ul> </li> <li><b>Collaboration with municipalities</b> <ul style="list-style-type: none"> <li>We have partnered with the government of Osaka Prefecture to resolve social issues, primarily in the areas of anti-infection strategies as well as cleanliness and hygiene management.</li> </ul> </li> <li><b>Direct Selling business</b> <ul style="list-style-type: none"> <li>With a view to further development in East Asia, we have expanded our pest control services in Taiwan, drawing on comprehension skills of our Clean Service.</li> </ul> </li> <li><b>Mister Donut business</b> <ul style="list-style-type: none"> <li>We have increased the number of Mister Donut showcases at convenience stores in Taiwan, the Philippines and Indonesia — total 6,275 shops (up 2,976 from FY2017)</li> </ul> </li> </ul>	
2. Development of existing businesses	<b>Direct Selling Group</b>	<ul style="list-style-type: none"> <li><b>Residential customer market</b> Diversified and expanded customer contact points to strengthen relationships <ul style="list-style-type: none"> <li>Increased number of members on the DDuet free membership website — total 1.24 million members (up 0.65 million from FY2017)</li> </ul> </li> <li><b>Commercial customer market</b> Training employee playing the key role of business partner in providing hygiene and cleanliness know-how <ul style="list-style-type: none"> <li>We have trained Hygiene Masters, specialists able to provide all-inclusive solutions for hygiene management of facilities and commercial kitchens — total 1,732 (up 682 from FY2017)</li> </ul> </li> <li><b>Care Service and Senior Care businesses</b> We have focused on recruiting franchisees to accommodate increasing demand. <ul style="list-style-type: none"> <li>Franchise development in five Care Service businesses: total 2,699 (up 174 from FY2017)</li> <li>Franchise development in the Health Rent business: total 166 (up 21 from FY2017)</li> </ul> </li> </ul>	
3. Strengthening corporate structure	<b>Food Group</b>	<ul style="list-style-type: none"> <li><b>Mister Donut</b> Product strategies We have engaged in joint development with companies and brands boasting high-quality ingredients and techniques. MISDO Meets series has been particularly well-received amongst customers.</li> <li><b>Shop openings and renovations</b> We have opened both shops with and without kitchens to individual locations. We have accelerated shop renovations to and new openings of new-concept shops featuring broader menu options: total 373 (up 257 from FY2017)</li> <li><b>Other food businesses</b> Katsu &amp; Katsu has been rendered a subsidiary in order to help Duskin run this business in an agile, streamlined manner, as well as to expand on the business — total 16 restaurants (up 1 from FY2017)</li> </ul>	
	<b>Corporate governance</b> <ul style="list-style-type: none"> <li>We have reviewed and optimized the business portfolio at the Board of Directors. We have also established and operated an Investment Evaluation Meeting.</li> <li>We have changed the Directors Evaluation Committee to an organization consisting solely of independent directors as an advisory body to the Board of Directors with regard to director nomination and compensation.</li> <li>We have introduced an Operating Officer System to streamline the Board of Directors' decision-making process and strengthen its supervision of company business. Decision-making authority for matters concerning a particular division is delegated to the Operating Officer in charge of that division.</li> </ul>	<b>Capital policy</b> <ul style="list-style-type: none"> <li>Through the tightening of profitability control and the appropriate allocation of business resources, we have considered financial strategies that take into account investments for growth. Furthermore, we have implemented cash flow management with an awareness of the capital costs.</li> <li>We have determined the annual dividend amount based on a target consolidated payout ratio of 50% and implemented stable cash dividend payment.</li> <li>We considered a flexible approach to company stock buybacks in order to improve equity value per share.</li> </ul>	
	<b>Structural reform</b> <ul style="list-style-type: none"> <li>In order to allocate more personnel to the Care Service businesses — our focused area, we have transferred personnel between business segments.</li> <li>Steps were taken to streamline our business operations such as the use of the Shared Services Center as well as RPA and other information technology.</li> <li>We conducted RFID tag test to improve efficiency of rental mat distribution system.</li> </ul>		



## Changes in the business environment and business issues

In recent years in Japan, the population is aging rapidly and there are growing concerns about labor shortages and senior care. In addition, people have become more conscious of food safety and reliability. Additionally, due to the coronavirus pandemic, hygiene and cleanliness have also been the subject of close scrutiny, a trend which has led to greater expectations for products and services that respond to a range of cleanliness and hygiene needs. Further, due to an increased number of people working at home and changes in work practices, daily life patterns have changed — in turn generating needs for digitizing a system to provide customers with information they want, as well as new distribution needs including deliveries and takeout. Taking these changes in our business environment as growth opportunities, we are moving forward with strategies that highlight the Duskin's strengths of our franchisees, which are deeply rooted in our community, and a variety of customer touchpoints.



Remaining sensitive to changing customer needs, we continue to deliver products and services — from the perspective of information and distribution.

### Future initiatives: four strategic themes

#### ■ Expanding existing businesses

Optimizing business portfolios and boosting the value chain

- Focusing investment on strategic businesses through portfolio analyses and reviews; withdrawal from unprofitable businesses
- Reforming information and distribution systems by pursuing digital transformation strategies
- Expanding on our areas of business and improving profitability by bringing new products and services to market designed to address market environment and customer needs

#### ■ Investment in new growth opportunities

Growth strategies through new value creation in line with future projections

- Carrying out growth strategies via M&As and investment in venture companies

#### ■ Implementing structural reform and establishing a solid foundation

Investment in new growth opportunities and solidifying our foundations to develop existing business

- Forging an optimal organization and business structure to achieve both companywide and business-specific strategy covering all types of business
- Tighten profitability control in each business segment as well as appropriate allocation of business resources

#### ■ Coexistence with local communities

Proactive initiatives on ESG and SDGs

- Implementing the concept of Creating Shared Value (CSV) through the resolution of economic, social and environmental issues by way of our business
- Reinforcing governance to achieve a multiplier effect between economic, social and environmental value



## Specific initiatives

KPI (Targets for the end of FY2023)

### —Leading the way in creating clean and healthy environments

In helping customers to fine-tune their daily lives with our products and services and matching the rhythm of their living and working environments, the Direct Selling Group focuses on the following three areas.

- **Hygiene:** Duskin's development will be focused on four categories of significant customer needs. Firstly, we are seeking to expand upon our lineup of daily-use hygiene products. Our next step is to improve our core products of mops and mats to make them more hygienic and imbue them with virus-neutralizing qualities. We are also boosting development of products and services meeting the needs of today's society, including hygiene service packages combining optimal products and services, such as for Event Hygiene Services.
- **Work-life management:** Our customers have expressed increased needs in certain areas due to the coronavirus pandemic, including the desire to make the most of their time at home, as well as to improve efficiency of work and family life. In order to meet these needs, we are working hard to develop services that involve much more than cleaning and helper services.
- **Senior support:** Drawing on the know-how we have in the nursing-care item rental services and nursing-care service fields, we provide continuously updated services to help ensure that seniors can lead the lives they want to live.



Event Hygiene Services  
(In addition to event planning and operations, we facilitate hygiene and cleanliness control for entire venues.)

- Ratio for hygiene and cleanliness sector sales: 55%
- Number of new locations in the Care Service businesses: 206 (2,699 locations by the end of FY2020)
- Number of new locations in the Senior Care business: 84 (256 locations by the end of FY2020)

### —Assessing changing and diversifying customer needs

The Food Group is developing stricter hygiene control measures in our shops and restaurants, and expanding delivery services to address takeout demand. The group is also improving online ordering services such that customers can access the system more frequently and regularly. As for Mister Donut, we plan to have more kitchenless shops primarily in metropolitan areas, via a central kitchen, as well as drive-through shops. In addition, we are moving ahead with research on locker-style drop boxes. In other food businesses, in view of realizing new ways of delivering our products to customers to meet their requests, we are studying tie-ups with specialized delivery companies as well as the feasibility of opening specialized takeout stores.



Showcase doors installed at the cafeteria-type locations

- Shops and restaurants offering delivery services: 635
- Ratio of online order sales in total sales: 8%

We are aiming for building new markets and new systems in order to address a range of customer issues including lack of nearby locations, lack of products customers want and being forced to wait, from the perspectives of information and distribution.








### —Doing our part for developing a more sustainable society

We are taking steps to streamline our business operations such as the use of the Shared Services Center incorporating RPA and other information technology. At the same time, we are considering financial strategies that take an aggressive approach to investment for growth and moving forward with cash flow management in light of capitalization costs. We are also focusing on addressing the revised Corporate Governance Code and preparing for how we will be categorized in the Tokyo Stock Exchange by structuring better governance systems.

Duskin is determined to do its part for the development of a sustainable society that strives to achieve the SDGs and also to raise corporate value. To move forward on these objectives, we are working toward Creating Shared Value (CSV) with a view to resolving economic, social and environmental issues through our business — even during the coronavirus pandemic. And at the same time, we will improve our corporate governance to generate value for everyone by solving problems in these three areas.

- Addressing the revised Corporate Governance Code
- Improving total shareholder return (TSR)
- To be selected by the Government Pension Investment Fund as meeting all ESG stock indices.

Overview by Segment (FY2020)

	Consolidated sales 153.7 billion yen	Operating profit 4.6 billion yen	Operating margin 3.0%	Sub-segment	Customer-level sales 359.5 billion yen	Number of locations 15,566	
Direct Selling Group	104.7 billion yen Composition ratio 68.1%	8.7 billion yen Composition ratio 89.1%	8.4% YoY Down 2.1 pp	Clean Service	174.5 billion yen Composition ratio 48.6%	2,580	<div>Clean Service Rental and sales of cleaning products</div> <div><div>衛生環境を整える</div><div>DUSKIN</div></div> <div></div>
				Care Service	52.4 billion yen Composition ratio 14.6%	2,699	<div><div>ServiceMaster Professional cleaning service</div><div>プロのおそうじ</div><div>ServiceMASTER</div></div> <div><div>Terminix Pest control and comprehensive sanitary management</div><div>害虫駆除・総合衛生管理</div><div>TERMINIX</div></div> <div><div>Merry Maids Convenient home cleaning and helper services</div><div>家事の代行</div><div>merry maids</div></div>
				Senior Care	13.3 billion yen Composition ratio 3.7%	256	<div><div>Total Green Plant and flower upkeep</div><div>緑と花のお手入れ</div><div>TotalGreen</div></div> <div><div>Home Repair Fixing scratches and dents</div><div>住まいの補修</div><div>HomeRepair</div></div>
				Other direct selling businesses	12.7 billion yen Composition ratio 3.5%	833	<div><div>Health Rent Rental and sales of home healthcare items</div><div>ヘルスレント</div><div>Health Rent</div></div> <div><div>Duskin Life Care Quality home care for seniors</div><div>ダスキンライフケア</div><div>LifeCare</div></div>
							<div><div>Rent-All Rental of special event and daily-use item</div><div>ダスキン レントオール</div><div>DUSKIN RENT-ALL</div></div> <div><div>Uniform Service Leasing, sales and cleaning of uniforms</div><div>Health &amp; Beauty Cosmetics and health foods</div></div>
Food Group	36.5 billion yen Composition ratio 23.8%	0.4 billion yen Composition ratio 4.2%	1.1% YoY Down 0.8 pp	Mister Donut	78.0 billion yen Composition ratio 21.7%	961	<div><div>Mister Donut Homemade donuts and a variety of menu items</div><div>Mister Donut</div><div></div></div> <div><div>MOSDO Collaboration with MOS Burger</div><div>MOSDO</div></div>
				Other food businesses	2.1 billion yen Composition ratio 0.6%	24	<div><div>Bakery Factory Bakery shops with fresh-from-the-oven items</div><div>Bakery Factory</div><div></div></div> <div><div>Pie Face Pie specialty stores from Australia</div><div>Pie face</div><div></div></div> <div><div>Katsu &amp; Katsu Pork cutlet restaurants using quality ingredients</div><div></div></div>
Overseas and other businesses	12.4 billion yen Composition ratio 8.1%	0.6 billion yen Composition ratio 6.7%	5.3% YoY Up 1.7 pp	Overseas business	17.8 billion yen Composition ratio 5.0%	8,000	<div><div>Clean Service Our circle of cleanliness extends overseas</div><div>DUSKIN</div><div></div></div>
				Other	8.4 billion yen Composition ratio 2.3%	213 (Number of contracts)	<div><div>Mister Donut Mister Donut is welcomed across borders</div><div>Mister Donut</div><div></div></div> <div><div>Duskin Healthcare Hygienic environments for medical institutions</div></div>

Notes:

- The amounts are rounded down.
- The composition ratio of consolidated sales is based on sales to external customers; the composition ratio of operating profit is prior to intersegment eliminations.

Notes:

- The above sales figures represent total sales for our domestic and overseas company-owned sales locations and subsidiaries, as well as projected sales for our franchisees. These figures are for reference purposes.
- Figures for the customer-level sales (sales to external customers) of our overseas businesses are noted in total figures for January-December, in order to accommodate the fiscal year-end for our overseas subsidiaries included in our consolidated financial statements.
- The numbers of domestic sales locations are as of March 31, 2020; the number for overseas businesses are as of December 31, 2020.
- Because some business locations operate multiple businesses, the number of locations above may differ from the actual number of offices.
- Overseas business locations include shops operated under master franchise agreements.



# Direct Selling Group

Leading the way in creating clean and healthy environments with a view to fine-tuning customers' daily lives

Kazushi Sumimoto  
Director and COO, Direct Selling Group



The coronavirus pandemic has had a tremendous impact on the lives of consumers, as well as the actions and awareness levels of business providers in the context of their operations. Precisely because our social environment has changed rapidly, we are now responding to needs for fine-tuning, either by restoring as far as possible the pre-pandemic lifestyle of consumers and work environment, or by further incorporating newer patterns and methods.

The Direct Selling Group focuses on three separate areas in response to social needs: hygiene, work-life management and senior support. Ever since our founding, Duskin has engaged in the creation of comfortable, hygienic environments for both consumers and businesses, which means we have the comprehensive talent to provide “one-stop” packages of support meeting customer needs with our specialized know-how pertaining to hygiene and cleanliness. Building further on this strength, Duskin continues to develop its ability to create clean and healthy environments.

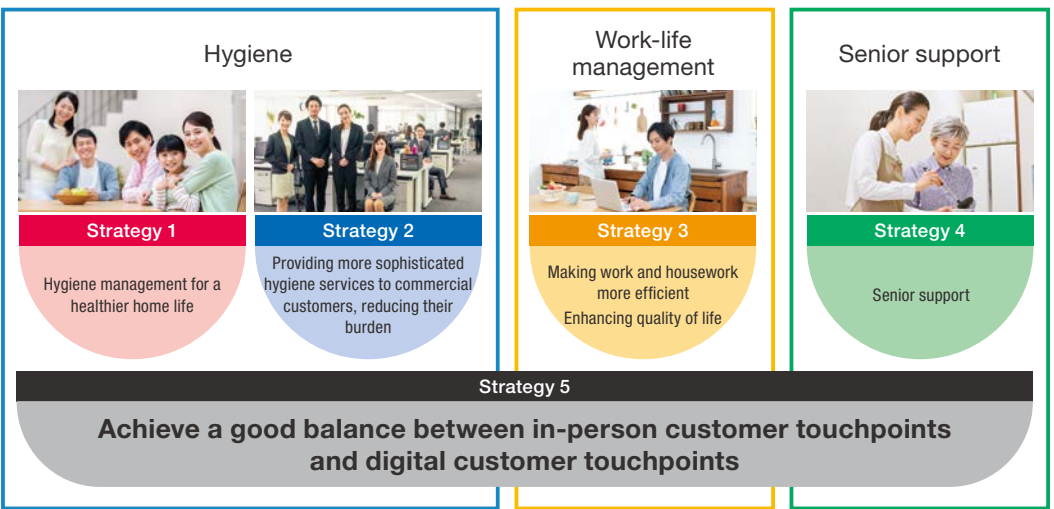
## Environmental analysis

<b>Opportunities</b>	<ul style="list-style-type: none"><li>Increased awareness of day-to-day hygiene and cleanliness as a result of the pandemic</li><li>Systemization of hygiene control in accordance with HACCP</li><li>Value of the sharing economy</li><li>Increased demand for service providers including cleaning and helper services</li><li>Increased needs for in-home nursing care and preventive care for frailty</li></ul>	<b>Risks</b>	<ul style="list-style-type: none"><li>Stricter legal regulations pertaining to direct selling</li><li>Decline in number of small-scale businesses and increasing difficulty with sales due to the emergence of broad-scale national chains requiring the attention of a headquarters</li><li>Uneven supply and demand caused by seasonal fluctuations</li><li>Market changes caused by revisions in Long-Term Care Insurance system</li></ul>
<b>Duskin's strengths</b>	<ul style="list-style-type: none"><li>Customer base of approximately 4.45 million households and 1.09 million business locations</li><li>A network of community-based franchisees supporting our customer base, and product delivery systems</li></ul>		<ul style="list-style-type: none"><li>Multiple businesses fostering a synergistic effect by cross-selling between the sub-segments within the Direct Selling Group</li><li>Trust and a sense of security in the Duskin brand</li></ul>

## Group strategies

In order to properly address social needs, the Direct Selling Group is focused on three key areas and five specific strategies. Working on the areas of work-life management and senior support to meet the needs of the times and of our society, we consider the field of hygiene and cleanliness to be of primary importance amidst the coronavirus pandemic.

### Primary domains and strategies



Our strategies address the needs of consumers and businesses arising in tandem with social changes. We offer solutions in the areas of hygiene management for a healthier home life; provide more sophisticated hygiene services to commercial customers and reduce their burden; make work and housework more efficient and enhance quality of life; and provide senior support. These initiatives lead to the solving of problems related to big social issues.

To implement information and distribution reform, we are optimizing digital touchpoints in response to diversifying needs by way of digital transformation, while keeping in-person contact with customers as one of Duskin's major strengths. As such, we are building a structure that answers to all social needs.

## Primary domains

### Hygiene

To improve our day-to-day life hygiene and cleaning products and services, we are expanding our hygiene product lineup as well as enhancing the antibacterial and antiviral properties of our core products such as mops and mats. In the specialized fields of hygiene, which are part of our strategy to combat infectious diseases, we bring together Duskin's know-how and hygiene-related products and services to offer hygiene service packages combining professional cleaning and technical services designed to meet customer needs. Further, we are engaged in development of products and services featuring sustained disinfecting properties for sterilization of living areas, elevators and more, as well as furniture and clothing surfaces.

### Work-life management

The coronavirus pandemic has brought about changes in work and lifestyles, which in turn has resulted in new needs for quality time at home, as well as greater efficiency of work and housework. The Direct Selling Group offers not only better efficiency of housework, as well as helping to create more time for the individual; we are also developing high value-added products and services to enhance both the work and home aspects of life, rather than a focus solely on allocation of time between work and off time. In this way we are striving to offer services in the area of work life management.

### Senior support

During the coronavirus pandemic, people have been restricted in spending time outside the home, as well as interacting with others, leading to growing concerns over health risks related to the elderly—including potential needs for more nursing care and progression of dementia. The Direct Selling Group, drawing on our extensive know-how in the areas of Health Rent (rental and sales of home healthcare items) and Duskin Life Care (quality home care for seniors), is further fine-tuning services for the elderly to help create an environment where they and their families can feel at ease, despite the changes brought about by the pandemic.

## Facilitating awareness and understanding of our brand as a hygiene brand

Both consumers and businesses have been impacted by the coronavirus pandemic, both in terms of awareness levels and concrete actions, such that demand is on the rise for cleaner and more hygienic environments at home and in business operations. In response, the Direct Selling Group, believing it is our mission to provide even more assistance in this regard through our business activities, has adopted the tagline, “Creating Healthy Environments.” This tagline is a pledge to the greater society and a promise from our company. Throughout the Direct Selling Group, we deliver on our promise to forge a brand of a customer's first choice regarding health and hygiene.

## Facilitating awareness and understanding of our brand as a hygiene brand

### New tagline

衛生環境を整える  
**DUSKIN**

The new tagline is our pledge and promise to consumers and business customers.

Implement speed branding



## Clean Service Businesses

### Performance and evaluation for FY2020

In the residential-use dust control product category, sales of mops, one of our primary products, dropped our sales activities to acquire new customers were very limited, especially during the first quarter, as well as unavoidable delays in replacing products for existing customers. However, along with changes in awareness and steps to prevent risk of infection amongst consumers, we have seen increased sales of antibacterial products due to increased needs for disinfection and antibacterial properties. The TuZuKu Long-lasting Disinfectant and Cleaner (a collaborative product with FUJIFILM Corporation) and our disinfectant-infused mop, one of our priority items, are among such products.

Sales of dust control products for commercial customers also declined. This is mainly because many customers temporarily closed their stores and restaurants under the guidance of municipal governments, and they cancelled or postponed replacing mats and other products during the first quarter. However, increased awareness of infection prevention has led to climbing sales for hygiene and cleanliness products such as our Clear Kukan air purifiers and Welpas Mild hand disinfectant, as well as our Sanitary Mat – Antibacterial Type product, acknowledged by third-party institutions based on scientific evidence for its disinfectant and antibacterial properties.

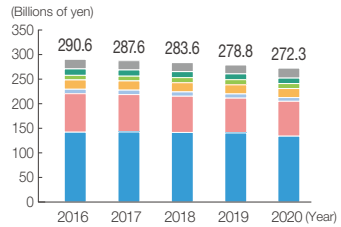
### Market conditions and our competition

Duskin boasts 90% of the residential customer market share, and 50%-plus for the commercial customer market share, in the dust control industry. Growing coronavirus pandemic spawned changes in awareness of cleanliness and hygiene and associated steps to prevent infection, and needs for cleanliness and hygiene products are on the rise. As our competitors intensify their approach in the disinfection and antibacterial fields, we are bolstering our cleanliness and hygiene products, as well as our evidence-based approach on our rental mops and mats imbued with disinfecting, antibacterial and antiviral properties. We also seek to offer the benefit of our rental cycle systems that differ greatly from companies manufacturing primarily disposable items.

### Key strategies

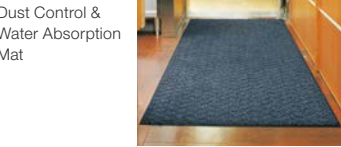
Providing products and services with disinfectant, antibacterial and antiviral properties that have been acknowledged by third-party institutions based on scientific evidence, we are claiming our place as a company known for its superior cleanliness and hygiene know-how.

#### Dust control market (related to our Clean Service businesses)



Business-use products  
Residential-use products  
Towels  
Water purifiers and air purifiers  
Scented deodorants  
Range hood filters  
Other products

Source: Japan Dust Control Association



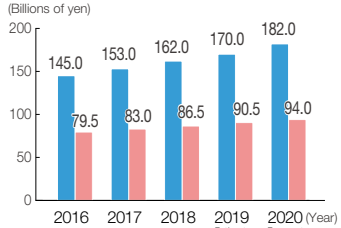
## Care Service Businesses

### Performance and evaluation for FY2020

Sales declined for the Care Service businesses because many of our scheduled services for restaurants or shops were suspended during the first quarter, mainly due to their temporary closings as well as self-imposed restrictions for individuals on spending time outside the home. However, following the lifting of the first State of Emergency Declaration, the impact of the coronavirus gradually lessened as regular services were interrupted less often, leading to upward trends in antibacterial services.

In particular, our ServiceMaster professional cleaning service saw tremendous gains in our hygiene service packages (combining cleaning and sanitizing) and residential air-conditioner cleaning and its antibacterial processing service, due to greater awareness of cleanliness and hygiene during the pandemic as well as the higher percentage of time spent at home.

#### Home cleaning and helper service market (related to our Care Service businesses)



Home cleaning  
Helper services

Source: Fuji Keizai Group's 2018 Service Industry Handbook

### Market conditions and our competition

Markets are projected to see recovery and growth, after a temporary shrink. Services for residential customers have been an expanding growth market prior to the pandemic, and this market continues to expand, getting an additional boost with needs arising out of lifestyle changes caused by the coronavirus. The market for commercial customers has temporarily shrunk due to declines in the restaurant business caused by closure and restrictions on opening hours. Meanwhile, business owners and operators have now begun to understand the need for disinfection and sterilization, leading to a rise in demand for services that help prevent infection. Though there are now more providers in both markets, we have our competitive advantage in the high quality of our services as well as our reputation for trust and reliability.

### Key strategies

In order to answer to increased awareness and needs on cleanliness and hygiene associated with lifestyle changes, we are working to expand on our lineup for disinfectant, antibacterial and antiviral processing services, and become a one-stop shop of hygiene service packages combining cleaning, sterilization and antibacterial products and services.



Air conditioner cleaning with antibacterial processing



Indoor antibacterial processing featuring photocatalytic coating



Cleaning and helper services with antibacterial cleaning



Disinfecting and deodorizing services with ozone

## Senior Care Businesses

### Performance and evaluation for FY2020

Our Health Rent (rental and sales of home healthcare items) business, an indispensable service in support of in-home nursing care during the coronavirus pandemic, continues to experience high demand. Both sales and the number of franchisees are on the rise.

The Duskin Life Care (support services for seniors) business has seen reduced sales due to concerns of users over potential coronavirus infection and the possibility of serious illness. However, sales are now on an upward trend because assistance for the elderly in their daily lives is an indispensable service.

### Market conditions and our competition

The share of the top six companies including Duskin in the senior home care equipment rental market stands at approximately 25%. Many of Duskin's competitors are small- and medium-sized providers in local areas. The elderly population aged 65 and over is projected to climb to 36.77 million by the year 2025. Along with the rise in the elderly population, the market for senior home care equipment rentals is also forecast to expand. In addition, there are concerns about the increase in the number of people who require nursing care due to changes in the living environment, such as refraining from going out due to the coronavirus pandemic. In this connection, Duskin is expanding its franchise network rooted in the community in order to respond to significant customer needs.

In addition, needs for life assistance services falling outside Long-Term Care Insurance coverage, such as services predicting sudden health changes in the elderly and services designed to monitor people with dementia and the elderly, are projected to rise. In response to various needs that cannot be met by Long-Term Care Insurance, we offer services finely tailored to meet these needs 24 hours a day, 365 days a year.

### Key strategies

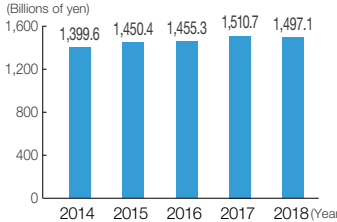
#### • Health Rent business

We will increase our share by way of highly specialized, fine-tuned proposals and expansion in areas where there are currently no sales locations.

#### • Life Care business

We aim at expanding in this field through adoption of services designed for persons with mild cognitive disorders.

#### Elderly assistance products market (related to our Senior Care businesses)



Source: Japan Assistive Products Association



# Food Group

Ensuring that anyone and everyone can enjoy happy moments at any time

Tetsuya Wada  
Director and COO, Food Group



The past year has been a very difficult one for the domestic food industry in Japan due to the challenges presented by the coronavirus pandemic. In a reaction to the pandemic, we have implemented strategies assigning top priority to safety and reliability. At Mister Donut, one of our key businesses, we have developed more appealing and tastier products, accommodated an increase in demand for takeout and saw recovery in the second half. These improvements came about as a result of our relationships of trust with customers, which are based on half a century of our experience in different kinds of the food business.

However, despite our 50-year history in the business, there remain issues such as some shops not conveniently located, products they wish to buy not always available and long waits at some locations. In response, we implement a range of strategies in the areas of both information and distribution in order to resolve these customer issues.

## Environmental analysis

<b>Opportunities</b>	<ul style="list-style-type: none"><li>Expanding business opportunities with services that address changes in lifestyles</li><li>Customer acquisition through MISDO Meets and other collaborative projects</li></ul>	<b>Risks</b>	<ul style="list-style-type: none"><li>Drop in demand for dine-in due to the impact of the coronavirus pandemic</li><li>Improved product appeal at our competitors, such as convenience stores and volume retailers</li><li>Demand for health consciousness and changes in consumers' attitude toward donuts</li></ul>
<b>Duskin's strengths</b>	<ul style="list-style-type: none"><li>Support from our customer base as the number one donut brand celebrating 50 years in the business</li><li>Accommodating demand for takeout</li></ul>	<ul style="list-style-type: none"><li>Customer touchpoint through a franchise network of over 900 shops</li><li>A well-established marketing strategy; one initiative is a joint development with other brands to deliver "something good" to customers, which has sparked their interest to buy our products.</li></ul>	

## Group strategies

### Deliveries (offering pickup options in accordance with customer wishes)

Mister Donut is striving to bring about an environment where customers can place orders, make payment and pick up their product anywhere. To create such an environment, we have launched an online ordering system. Further, in order to add to the number of locations where customers can pick up, we are moving ahead with research on locker-style delivery boxes, as well as taking an aggressive stance on setting up new roadside locations in the suburbs and kitchen-less locations in urban areas.

At our pork outlet restaurants Katsu & Katsu, we are now starting a feasibility study for specialized takeout stores in order to address demand for takeout. In addition, we are implementing a new system where customers can place orders ahead of time or wait in their cars to make systems even more convenient. Also, in our other food businesses, we are setting up collaborative initiatives with specialized delivery companies, in order to solve issues of customers in areas where shops are not located nearby.



MISDO online ordering system



Katsu & Katsu takeout shop



### New approaches to utilize information

In addition to POS data sent to Duskin headquarters and data from our partner companies, we also utilize information posted by customers on SNS and our partner company websites. In this regard, we have two broad goals.

- Creating systems for providing information**  
Assessing continuously diversifying customer needs, we are creating systems designed to deliver optimal information. It is our hope to improve customer convenience by providing more accurate information than ever before.
- Improving sales forecasts**  
Duskin aims at reducing food loss, which is a significant issue in the restaurant industry. By building automated ordering systems in the future and by reducing time and effort spent ordering at shops and restaurants, we hope to see a rise in productivity.

## Mister Donut and Other Food Businesses

### Performance and evaluation for FY2020

Mister Donut saw a large decline in sales over the first half due to the coronavirus pandemic, but thanks to a series of well-received products as well as successful promotional strategies, sales increased in the second half.

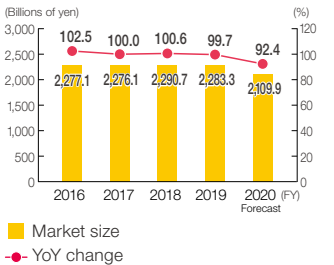
Sales climbed for Bakery Factory, suburban-style large bakery shops, due to an increased number of store locations. However, as was the case with Mister Donut, sales fell for our Katsu & Katsu pork outlet restaurants and our Pie Face specialty pie shops due to shorter hours and temporary closings caused by the pandemic.

### Market conditions and our competition

Though the size of the restaurant market had grown gradually in recent years, it shrank due to the coronavirus pandemic. The pandemic also led to the adoption of mobile phone ordering systems by many types of businesses, such that now many restaurant locations have them. Taking the fact that customers are choosing take-out—due to the voluntary trend to stay at home—as a good business opportunity, we are focusing on accommodating increased demand by enhancing our takeout menus.

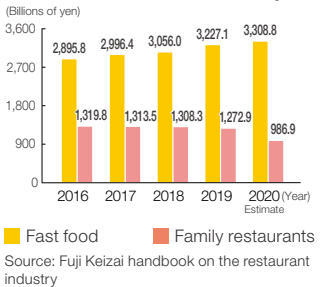
The FY2020 market for sweets and desserts was projected to fall by 7.6% from the previous year; but instead, it in fact expanded as a result of increased demand (due to the stay-at-home orders) for sweets sold at supermarkets and convenience stores. The array of sweets available at convenience stores has diversified to now include high-quality, high-end items.

#### Sweets and desserts market in Japan



Source: Yano Research Institute's market report on Japanese and Western sweets and desserts

#### Restaurant market in Japan



Source: Fuji Keizai handbook on the restaurant industry



Overview by Segment

Strategies

Approach

At Mister Donut, the primary business of the Food Group, the goal is to bring happy moments to our customers in store or at home. We employ five key strategies to achieve this goal.

Key strategies

Our first key strategy is to capture new markets. To achieve this, we are moving ahead with online-order and delivery services designed to address changes in external environments and consumer needs brought about by the pandemic. Second, as we work to maintain and bolster sales of primary products, we are also developing products that we hope will become new classics, as well as enhancing our MISDO GOHAN light meal line. Third, we are moving ahead with collaborative product developments in an effort to make the Mister Donut experience fun and our products always delicious. These include MISDO Meets and other collaborative items as well as limited-time only seasonal items. Fourth, as we solidify our operating environment, we are taking such steps as distribution reform and shop refurbishment. Fifth, as part of environmental conservation efforts, we are adopting measures to make us a more ecological company in our handling of the earth's precious resources. With our 50th anniversary, Duskin is emphasizing these initiatives even more.

Regarding our other food businesses, we have begun feasibility studies for takeout specialty shops to address the demand for takeout at our Katsu & Katsu locations. Our goal is further expansion of this business.

Key strategy 1

Acquire new markets

- Adopt online ordering systems
- Promote delivery services
- More kitchenless shops to open in metropolitan areas
- More shops to open in suburbs



Suburb locations (Drive-through)

Key strategy 2

Maintain and increase sales of primary products

- Create new classic donuts
- Enhance the MISDO GOHAN light meal menu
- Improve the quality and taste of existing regular products



New classic donuts

Key strategy 3

Offer seasonal products; trend-making

- MISDO Meets collaborative products
- Limited-time only seasonal items
- Dessert beverages
- Collaborative products with other companies



Key strategy 4

Bolster our business base

- Distribution reform
- Shop refurbishment



Semi-self-service register

Key strategy 5

Eco-frien-DOUGH-ly activities

- Reduce the amount of plastic used
- Recycle unsold donuts
- Promote energy saving



Other Businesses



Performance and evaluation for FY2020

At our domestic consolidated subsidiaries, sales increased slightly at Duskin Healthcare Co., Ltd. (management services for hospitals and clinics); Duskin Kyoeki Co., Ltd. (leasing and insurance agent) has also seen increases in leasing sales due to the updating of Mister Donut POS systems and the switch to automobiles equipped with automatic braking systems.

At our overseas consolidated subsidiaries, Duskin Shanghai Co., Ltd. (rental and sale of our Clean Services in Shanghai, China) saw increased online sales, although the pandemic made it difficult to conduct sales visits to commercial and residential customers.

Sales dropped at the Big Apple Group, which is engaged in the donut business primarily in Malaysia, as it had to rely on takeout and delivery for an extended period of time. At Duskin Hong Kong Co., Ltd. (raw materials and equipment procurement), sales increased because it procured and sold masks for Duskin in Japan.

Strategies for Duskin Healthcare

■ Approach

Duskin Healthcare Co., Ltd. effectively responds to sophisticated anti-infection strategies demanded at the cutting edge of medicine, earning high marks from our contracted hospitals. In the future, as the company moves ahead with packaging anti-infection services, we consider it a key issue to involve qualified personnel in the development of infection prevention measures. The company's frozen breakfast bento box was developed in response to a constant issue of hospital meals: a lack of personnel to prepare and serve breakfast. To further boost demand for these meals, the company will be developing more menu options for these breakfasts and is expanding sales at nursing-care facilities.

As part of initiatives for better work environment for our employees who need to take strict infection prevention measures, we are working on making reports online and creating new value by further solidifying our operating platform.

Key strategies

- Boosting infection prevention measures in clinics and hospitals
- Improving operational efficiency (making part of our operations online)
- Selling frozen bento food boxes
- Recruiting and training personnel as part of our efforts to step up our operating platform

Overseas strategies

■ Approach

Duskin Serve Taiwan Co., Ltd., which operates a direct selling business in Taiwan, is committed to "ONE DUSKIN" strategy to further expand the Care Service along with the Clean Service. Duskin Shanghai Co., Ltd., which operates out of Shanghai, China, is devoting itself to offering solutions to create healthier environments for both commercial and residential customers. The company is expanding a structure to sell non-rental products across China with better mail-order and online order systems.

In overseas food businesses, we are taking an active stance on further entry into ASEAN nations while boosting sales at existing Mister Donut locations in Thailand, the Philippines, Taiwan and Indonesia. For our Big Apple business, we are strengthening our base in Malaysia and consider further expansion into the halal markets other than Cambodia.

Duskin Hong Kong Co., Ltd., which primarily engages in trade in Hong Kong, draws on its extensive information-gathering and procurement capabilities to actively provide products to both domestic Duskin locations in Japan as well as our group companies overseas.

Key strategies

- Clean Service and Care Service  
Moving forward with comprehensive cleaning and technical services in East Asia to increase sales
- Big Apple  
Solidifying our foundations in Malaysia and Cambodia, making further inroads into halal markets
- Mister Donut  
Proactive expansion in countries where Mister Donut is not yet established, primarily the ASEAN nations
- Duskin Hong Kong  
Enhancing merchandising to strengthen earning structure



# Message from the CFO



## Financial Policy

Our goals are to generate cash flow, raise capital efficiency and execute a financial policy for supporting sustainable growth while vigilantly controlling capital costs.

Naoto Miyata  
Director and CFO

### A look back at FY2020 and the Medium-Term Management Policy 2018

FY2020 ended with sales and profits lower than the previous year due to the impact of the coronavirus pandemic. The pandemic drastically changed our business environment, and in order for Duskin to fulfill its ultimate responsibility of maintaining the company’s franchise network, the top priority has been ensuring the safety of our customers, franchisees and employees, even as we focus on getting sales back on track. Moreover, we prepared and executed a strategy that saw this changing business environment as an opportunity for new business growth. Most important in this regard were the courageous decisions of our company president; namely, to provide relief money to all franchisees and their employees, to install doors in all food showcases at cafeteria-type shops to ensure the safety of Mister Donut customers and to conduct an ad campaign at the Direct Selling Group to raise awareness about Duskin’s commitment to creating a healthy environment for consumers and businesses. These measures taken amid an uncertain business climate had a noticeable impact on our financial performance, but as Chief Financial Officer I think they were necessary to ensure the survival of our franchise network.

The Medium-Term Management Policy 2018 entered its final year amid these circumstances and, unfortunately, concluded without meeting its targets due to the coronavirus pandemic. Nonetheless, in addition to progress in our business foundation during this period, on the governance side we put in place the Operating Officer System in order to separate our execution and supervision functions and established the Investment Assessment Committee. In the area of human resource investment we initiated a succession plan and have also begun training next-generation management. We would have normally announced our next medium-term management plan, but given that the coronavirus pandemic has made the future even more uncertain, we will announce the next plan when circumstances permit.

### Improving capital efficiency

As of March 31, 2021, Duskin had solid financial health, with total assets of 188.3 billion yen and an equity ratio of 77.2%. Generating both of profit that exceeds capital costs and cash flow enhances shareholder value, and in order to assess annual capital efficiency and return on investment (ROI), the Board of Directors discusses the direction of each business based on a business portfolio analysis. Furthermore, the Investment Assessment Committee, which I chair as CFO, has constructed an investment PDCA cycle and works to improve the performance of invested capital. We aim to achieve higher profitability and meet the expectations of our shareholders by increasing ROE to 5.0% at the earliest possible date, which we will achieve by establishing a new business foundation through growth investments, by making work processes more efficient, and by reducing costs.

### Investment and cash flow

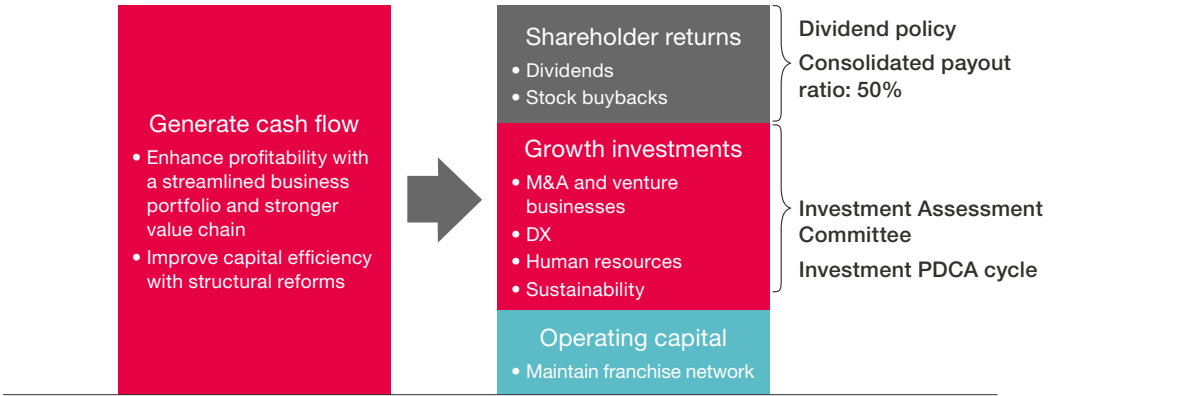
Duskin’s franchise network is a vital non-tangible asset. The network consists of franchisees and the franchisor, which are united by our unique management philosophy and share the same interests. Our business segment performance is highly correlated with general business trends, and this therefore requires operating capital, which also includes the cost of maintaining the franchise network, with sufficient reserves.

Over the next three years, we intend to actively invest in our company. Assuming current operating cash flow of around 13 billion yen, in a typical year about 10 billion yen is invested in already existing businesses. Along with the sale of cross-shareholdings and borrowing from financial institutions, for the time being, we will carry out growth investments. Any profits not allocated for these growth investments will, of course, be returned to our shareholders.

Moreover, as we focus on M&A and new business investment, we are investing in the digital transformation in order to enhance the customer experience and investing in human resource development. We also believe that from now on costs and investments related to our social contribution activities will be necessary. When we consider how Duskin can contribute to a sustainable society that seeks to implement Sustainable Development Goals (SDGs), it is clear that what we do to enhance Duskin’s corporate value in the long term can incur certain costs in the short term.

But achieving sustainability is important because it is an investment in our future, and we are therefore actively exploring the potential of very long-term investments that we have not done in the past.

### Cash flow plan

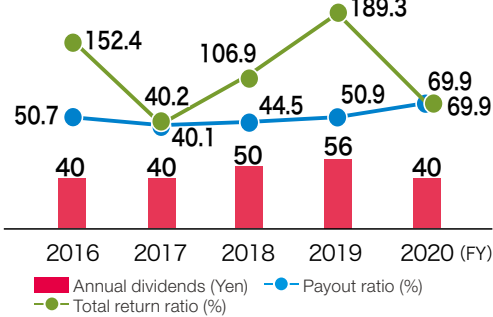


### Shareholder returns

Duskin’s basic policy is returning profits to shareholders based on consolidated net income. Since FY2019, we have started determining dividends for each fiscal year based on a target consolidated payout ratio of 50%, and we intend to continue paying stable cash dividends. We are also taking a flexible approach to company stock buybacks from a total return ratio perspective.

Looking ahead, we intend to achieve a total shareholder return higher than the return on the TOPIX index and execute a growth strategy backed by a solid financial foundation while vigilantly controlling the cost of shareholders’ equity.

### Annual dividends, payout ratio and total return ratio



### Total shareholder return (TSR) (Annual rate)

	1 year	3 years	5 years	10 years
Duskin's TSR	99.4%	102.8%	108.3%	107.5%
TOPIX (incl. dividends)	142.1%	106.9%	110.2%	110.8%

Notes:  
• Total shareholder return (TSR): Total rate of return on investment that combines capital gains with dividends  
• 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, Japan Exchange Group's Monthly Statistics Report "3. Stock price index & average" among other things.)

# Research and Development

Fifty years ago, Duskin revolutionized the world of cleaning with the release of a specially treated cloth that dusted without water. Duskin started out as a dust control business, and ever since we have made “the science of cleaning” a central theme in our commitment to develop products and services dedicated to making the lives of our customers better.

## Duskin Research and Development Policy

We take a consumer-first approach to research and development in the field of cleaning and hygiene. Our customer-first R&D approach is reflected in the following five pledges aimed at providing communities 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 reliability 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.

### Research vision

Bring cleanliness and peace of mind to everyday life. Let's talk about the life of today and tomorrow.



### Research domains

Developing technology for cleaning, hygiene and comfortable lifestyle to become the industry leader in creating clean and healthy lifestyle—while Duskin is best known as a cleaning company, we are extending our R&D into the hygiene and comfort domains as part of our commitment to bring health to our customers through cleanliness.

## Duskin Research & Development Center

Trends such as the growing number of single-person households are bringing enormous changes to the living environment in Japan today. Corporations are also facing changes in work patterns arising from a shrinking labor force and workstyle reforms, and these changes have made it difficult for many corporations to maintain a hygienic workplace environment. Moreover, an increase in allergies and other disorders show that changing lifestyles and social environments are also affecting the physical and mental health of people.

In addition, the spread of the coronavirus has made masks, sanitizers and other infection prevention measures a part of daily life, while more hours worked from home are bringing about big changes to the lifestyle and workstyle of consumers. The hygiene needs of businesses are sharply rising because they need effective hygiene measures in order to stay in business. We believe it urgent to respond to the increasingly diverse hygiene needs of consumers and businesses and their increasing awareness of hygiene environment.

Duskin Research & Development Center is dedicated to safety and reliability with an eye on the present and the coming future. We also strive to bring comfortable and healthy living to our communities and contribute to our efforts to do business as a company providing products and services that “fine-tune” daily living.

### R&D costs

	FY2016	FY2017	FY2018	FY2019	FY2020
R&D costs (Millions of yen)	662	643	682	561	637

## Hygiene-related Research

### 1. The science of dust and dust control technology

The history of Duskin comes down to dust control. We have ceaselessly pursued research on how to efficiently capture and eliminate the dust found in homes and other indoor space. This research is informed by our regularly conducted “dust survey.” The Duskin Research & Development Center obtains the cooperation of typical households as sample for a survey focusing on the composition, characteristics and distribution of dust and how lifestyle habits affect the accumulation of dust indoors



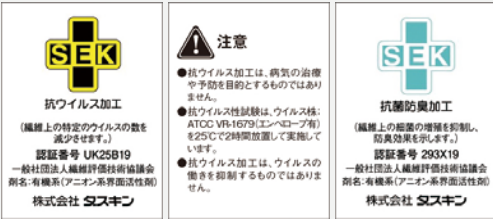
### 2. Mop dust-control performance and adsorbent technology

Our adsorbents contain technology that reduces the hygienic risk of the bacteria, mold, allergens (including mite feces and pollen), viruses and other impurities contained in dust that adheres to mops.

Besides improving dust gathering capability, our mop R&D concentrates on developing technology that keeps mops clean and comfortable to use.

Duskin household mops<sup>\*1</sup> are the first in the dust control industry to receive the anti-virus processing<sup>\*2</sup> and anti-bacterial deodorant processing SEK Marks<sup>\*3</sup>

<sup>\*1</sup>: Do not include certain products.  
<sup>\*2</sup>: This process is not intended to treat or prevent disease and does not suppress the actions of viruses.  
<sup>\*3</sup>: The SEK Mark is a certification mark administered by the Japan Textile Evaluation Technology Council recognizing the performance, durability, and safety of textile products.



### 3. Mat dust control performance and adsorbent technology

Like our mop adsorbents, the oil-based adsorbents processed for our mat products not only capture dust and prevent dust from stirring up, they possess properties that suppress the growth of bacteria and mold. These properties reduce hygienic risk from bacteria, mold and other impurities even when a mat is dirty

### 4. Hygiene-related products and sterilization and antibacterial performance

Along with our mops and mats, we also strive to improve the sterilization and antibacterial performance from the perspective of a clean and less risky hygienic environment for our other cleaning service products. Our detergents, for example, wash away dirt with surfactants that also reduce bacteria contained in the dirt by means of a sterilization effect. Our detergents also reduce hygienic risk with an antibacterial effect that makes it hard for bacteria to regrow on an object once it has been cleaned. Taking into account the detergent composition for different objects to be cleaned, we repeatedly perform a variety of trial-and-error experiments in order to get the best cleaning performance. Only the best choices among them are delivered to our customers.



TuZuKu Long-lasting Disinfectant and Cleaner (200 ml)

Details of our research and development are available on the following web page. (Available in Japanese only)

<https://www.duskin.co.jp/rd/>

## Aiming to Enhance Social Value



Duskin is both a corporation and a member of the local community. Guided by our slogan sowing the seeds of joy, we engage in all kinds of activities dedicated to bringing people together and fostering partnerships with local communities. Moreover, we actively strive for a diverse workforce and a better work environment that enables each and every employee to achieve their full potential, work with enthusiasm and a sense of purpose, stay healthy and keep better life-work balance.

### In Partnership with Local Communities and Suppliers



### Prospering Together with the Community

Duskin contributes to safe and secure communities and revitalizing local economies. We conduct on-site lessons for teaching children the importance of cleaning and collaborate with local governments on infection prevention and hygiene management, child and elderly welfare and locally produced goods.

#### Supporting local schools and education

Since 2000, Duskin has carried out research motivated by our conviction that cleaning can help develop the abilities of children. We have made publicly available an elementary- and middle-school cleaning education curriculum and hold seminars for teachers about this research, and we conduct on-site classes at elementary schools on the importance of cleaning.



On-site class on the importance of cleaning

In FY2020, with the expansion of the GIGA School Program and the impact of the spread of the novel coronavirus, Duskin opened an instructional website dedicated to cleaning education for children. The instructional content can be taught in every elementary school grade and is especially relevant to the home economics taught to fifth-grade students.

<https://www.duskin.co.jp/torikumi/gakko/kids/>

#### Partnerships with local government

In July 2021, Duskin concluded a comprehensive partnership agreement with Osaka Prefecture. While efforts are being made in every direction to revitalize local regions by supporting unique and appealing local communities, this agreement further strengthens the partnership and collaboration between Osaka Prefecture and Duskin. The partnership will address seven areas — health, childcare and welfare, community revitalization, diversity and employment, safety and security, the environment and government PR — and focus on revitalizing communities and improving prefectural resident services.



Osaka Prefectural Governor Yoshimura and President Yamamura

#### Future partnership priorities

- Prevent infection and raise awareness of coronavirus and other infectious diseases
- Promote food safety and security in line with HACCP hygiene management
- Promote goods produced in Osaka Prefecture

### Providing Safe, Reliable and Sustainable Products and Services

To ensure that we provide customers and consumers with safe and reliable products and services, we have built and put into practice a complete quality control system based on our Quality Policy. Also, to ensure stable procurement, we make an effort to strengthen our partnerships with suppliers and employ such strategies as purchasing goods from multiple suppliers and identifying sources for purchasing substitute goods.

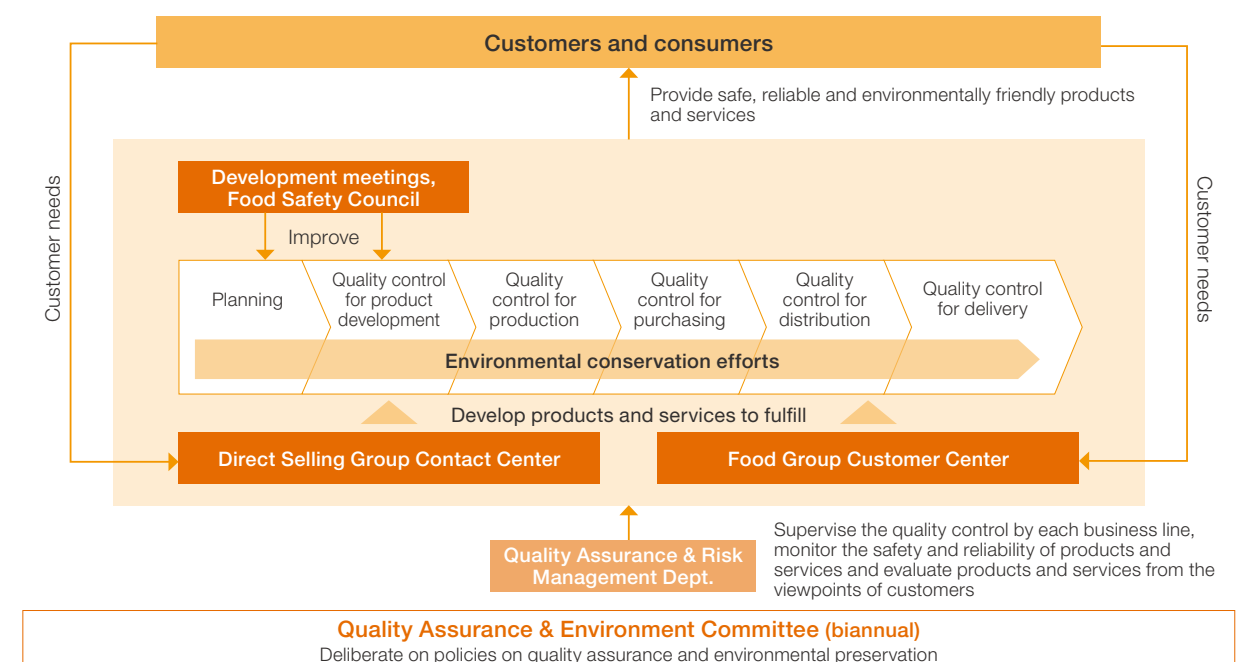
For details about our Quality Policy, please refer to the following web page. (Available in Japanese only)

<https://www.duskin.co.jp/sus/safety/philosophy/>

#### 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. We have also set up the Quality Assurance & Environment Committee, which meets 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.

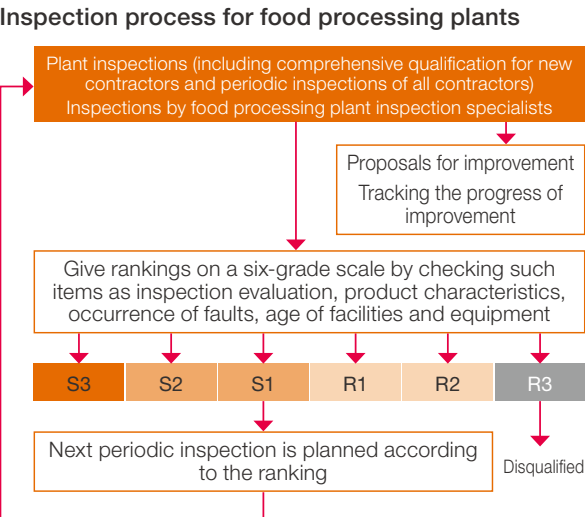




Inspections of contracted food processing plants

For the contracted plants manufacturing our products, we conduct 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 (approximately once in every three years) depending on the plants' rankings.

During FY2020, we conducted first-time inspections at 3 plants and periodic inspections at 24 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

Together with Our Employees



Supporting Employees' Growth and Career Development

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.

Companywide education system

Rank	Rank-specific	Career development		Post-specific	Companywide*1		Business division-specific			Self-development
							Dust Control	Care Services	Mister Donut	
Total number of participants 10,457		540		302		292	7,204	1,373*2	619*2	127
Managerial position	Senior management	Succession Plan Next Generation Management Development Program		Career design study	JFA franchise management consultant lecture / supervisor school	Playertful Management study	Manager training			
	Management									
Leader position	Leader (Chief)	Next generation leaders	Overseas training	Career design study	Area Manager training		Compliance	Post-specific training	License acquisition training	License acquisition/renewal training
	Leader (Senior staff)									
	Leader									
	Third-year review									
Development	Six-months/first-/second-year review								License acquisition/renewal training	Post-specific training
	Itoten Chitoku training									
	New employee training									
										Self-development support (correspondence course)
										Qualification acquisition incentive program

\*1 Projects under this category do not include business division-specific trainings.  
\*2 Franchise staff members included

Goals of career development training

- Help employees renew their awareness of their roles and abilities, and their contribution to the company. Raise the awareness of next generation leaders.
- Create a climate in which women have a sense of fulfillment and feel encouraged to play active roles to utilize their perspectives. Improve the work environment by empowering those in managerial positions. Nurture the sensitivity of all employees so that they understand and respond to the diverse needs of the market.

Negative impacts on the environment arising from the use of palm oil refined from oil palm fruit has been a growing concern in the world, 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

Employee Roundtable: Employee Growth and Career Fulfillment at Duskin

At Duskin people are the foundation for every service we provide. With that in mind, our human resource education and training recognizes that we need people with compassionate hearts as well as knowledge and skill if we are to remain valuable to the customers we serve. We asked three employees who joined the company around a decade ago to give us their thoughts about what it means to work at Duskin, about company culture and about the workplace environment. They engaged in a frank discussion about their career vision for the years ahead.

Q1. Tell us about your careers so far and your career vision for the years ahead.



**Fujioka** I joined Duskin in 2011, and I started out in the Mister Donut Business Group. For eight years I moved around the country, working first as an assistant shop manager and then as a shop manager. Then, two years ago, my dream came true when I was transferred to the Information Systems office. Back when I was job hunting I would sometimes go to a Mister Donut, and I was surprised by how the staff would go around the room giving refills and by their excellent hospitality. That experience got me interested in Duskin, and I decided that I wanted to try working at Mister Donut.

**Numada** I joined Duskin in 2013, and the whole time since I have moved through production-related positions. For my first three years, I worked on the factory floor in the Production department at the Yokohama Central Plant, where I worked on product processing. In my fourth year, I was assigned to my present position in the Technology department of Production & Logistics, and I have been working in the same department since that time. At university, I studied environmental-related fields, and I have always been interested in cleaning, and I wanted to work at Duskin because of my science background. I think working in Production & Logistics, where the work is related to environmental matters such as waste and wastewater processing, has fulfilled that wish.

**Matsue** I joined Duskin in 2011, the same year as Mr. Fujioka. I spent my student years in Tokyo. At the time, Duskin had a very strong image as a donut company located in Osaka, and I wanted to work there because I thought it would be interesting. When I joined the company, I was assigned to the Clean & Care Business Group (now the Direct Selling Group). For two years, I worked as a sales rep doing rental mop and mat replacement and serving customers and then engaged in a sales office management. After that, I worked on things like organization development and on various system development projects and as a business development manager who supports franchise operations. Then, in 2021, I was transferred to the Health & Beauty Division's Planning & Operation.

**Fujioka** My near-term goal is to make the Mister Donut online ordering system easier to use and convenient. We introduced the system in 2021, but for shops to take online orders they also need to manage their inventory. We don't make products after receiving an order like other chains, so it's very important that shop staff have strong management skills. Improving customer convenience is important, of course, but we are also working on making the system easy for shop staff to operate.

**Matsue** At the Clean Service Division of the Direct Selling Group, people in charge of development and people in charge of procurement were in separate sections. But in Health & Beauty, a relatively smaller division, we are involved in every phase, from development to procurement and sales, so there's strong motivation to be involved with a single product from start to finish. I'm interested in product development, so some day I want to try and create a unique product.

**Numada** My experience so far has been limited to work areas in Production & Logistics, so I want to build up experience in Duskin's various other business divisions. On the other hand, we need to retain the kind of expertise and skills possessed by re-employed staff who have reached retirement age and so I'm also interested in the Professional Track under the new personnel system. I want to think about my future career vision, including utilizing my science skills as well as the option of polishing my skills as a professional.



Q2. What do you think about Duskin as a corporation from a social perspective? And what is the appeal of working at Duskin?

**Fujioka** The number of two-income households is rapidly increasing, and that includes me. So you can really sense the rising demand for household cleaning services like Merry Maids. It's part of life, Mister Donut included.

**Matsue** We have an 18-month old child, so we rented a baby crib from Rent-All. I experienced myself that

<b>Yuji Fujioka</b> Information System, Sales Planning, Mister Donut Business Group Joined Duskin in 2011	<b>Yumea Numada</b> Machinery & Equipment Development, Technology, Production & Logistics Joined Duskin in 2013	<b>Ryo Matsue</b> Planning & Operation, Health & Beauty Division, Planning & Development, Direct Selling Group Joined Duskin in 2011

renting is perfect for a baby crib. Also, when we were caring for grandmother at her home, we rented a nursing bed from Health Rent. Recently, my father did a rental mop contract, and when I look at things from the customer's perspective, I realize that Duskin is a company that serves people of every age, from infants to the elderly.

**Numada** I thought about how I would explain what kind of company Duskin is without mentioning the company name. Besides the cleaning product rental business, it has Mister Donut and other food businesses, and it also has Health Rent and other caregiving-related businesses that address social needs. I think the appeal of Duskin is that it is a company with a wide range of businesses that connect to society in many different ways.

**Matsue** In our company, both male and female employees frequently transfer and relocate, and that means there are ample opportunities to gain all kinds of experience. When one transfers to a different business division, it's just like coming to a different company — even though it is the same company — because it has different ways of thinking and working. I think that's also one of the things that makes Duskin appealing.



Q3. Tell us what you like about the company's work environment and system and what you hope to see in the future in this regard.

**Fujioka** Since we are a two-income household, when we had our first child I wanted to take the area-specific career track. But now that the system enables returning to the career track, I can also consider going back to that once our children are grown. Besides that, we will soon give birth to our third child, and my boss asked me if I wanted to take childcare leave. Recently at Mister Donut, more and more males are taking childcare leave.

**Matsue** Since I transferred to Osaka in April, I am using the corporation operated preschool\*. My wife can't return to work if we don't choose a preschool, so this benefit system has been an enormous help.

**Numada** I am interested in the newly set up Professional Track that I mentioned earlier. Besides that, when I was in Yokohama, I used the correspondence course subsidy system to obtain health supervisor certification and I took an Excel class when it became necessary for me to do data tabulation at work. I think it's great that we have a system that individuals can use to sharpen their skills.

**Fujioka** At work, I want to achieve things one by one with the help of those around me even if it's just a small goal. This kind of good personal relationship enables me to value this sense of accomplishment in a way that contributes to workplace satisfaction.

**Matsue** So far, I have worked in a variety of positions, and in every one of them personal relationships have been an enormous blessing to me as well. Being reassigned every few years and engaging in work that is different from the work I did before reinvigorates me and makes the work pleasant.

**Numada** The company provides all kinds of support, and I think the environment is easy to work in. I hope that it brings in a few more team members and that we can build a system and environment that makes it easy for human resources to stay.

\*A preschool jointly funded and operated by several corporations



Diversity and Inclusion

We believe that employees of various career and social backgrounds (sex, age, nationality and lifestyle) who respect one another and who use their abilities to the fullest is the most effective response to a constantly changing business environment and ever more diverse customer needs. We also believe that employee diversity creates new value and excellence. Along with formalizing this philosophy in the Duskin Code of Conduct, we have established hiring diversity targets for the percentage of female employees in management, employees from abroad and employees with disabilities.

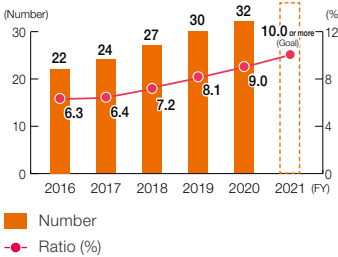
Empowering women in the workplace

Effective use of diverse human resources to enhance corporate value and vitality requires a workplace environment that enables women to reach their full potential. Duskin has many female customers, so it is becoming increasingly important to develop products and services with a woman's perspective.

Looking ahead, we will draft a third action plan for FY2022 through FY2025 based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace. The action plan includes a variety of initiatives from the perspective of skill development, offering women greater opportunities, creating a more supportive workplace and culture.

Female employees in managerial positions

(Duskin Co., Ltd. only)



Hiring workers from abroad

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.

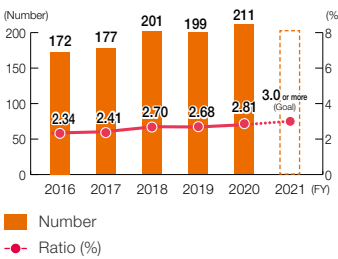
Duskin started hiring workers from abroad from April 2017 after receiving approval from the Kanagawa, Osaka and Tokyo governments as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones. As of March 31, 2021, a total of 45 Philippine citizens were hired. These employees provide services at customers' homes after 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 hire people with disabilities, and aim to reach a ratio of employees with disabilities of 3% or more. We will play our part to create a society where everyone can live with a sense of active participation, reward and purpose.

Employees with disabilities

(Duskin Group)



Basic Policy, Code of Conduct and initiatives regarding respect for human rights

The Duskin Code of Conduct advocates respecting human rights throughout the entire supply chain and clearly articulates that the spirit of respecting human rights will underlie every corporate activity. To advance our human rights efforts, and as a supplementary set of guiding principles to the Duskin Code of Conduct, we have established the Duskin Basic Policy Regarding Respect for Human Rights.

Duskin Basic Policy Regarding Respect for Human Rights

<https://www.duskin.co.jp/sus/person/data/pop01/>

Work-Style Reform and Health-Focused Management

Duskin strives to provide a workplace environment that maintains employee work-life balance and enables employees to realize the full potential of their individual abilities and thereby boosting their motivation and a sense of accomplishment and satisfaction. We also promote a variety of workstyles not restricted by time and location. Moreover, Duskin supports health-focused management for employees' better health and increases the health literacy of every employee.

Creating positive working environments

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 better workplaces, aiming to keep the total work time per employee at below 1,800 hours annually.

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.



"Kurumin" certification, a symbol for companies supporting child rearing. "Kurumin" originates from the Japanese word "okurumi," a cloth to swaddle a baby.

Work-life balance

- Annual paid leave taken: 60%
- Continuing and further promoting telework
- Holding a No Overtime Work Day at least once a month
- Implementing the Leave the Office Early Day Campaign on the last Friday of each month
- Leaving an eight-hour interval before the next shift

Programs that assist employees to achieve a balance between work, childrearing and nursing care

- Birth and childcare leave, family care leave, reduced working hours for childcare
- Support for childcare leave and return-to-work
- Promoting male employees qualifying for guardian childcare leave
- Allowing employees to adjust work starting time to fit individual circumstances
- Reemployment system for mandatory retirees

2021 Health & Productivity Management Organization certification

In March 2021, Duskin received Health & Productivity Management Organization 2021 certification, a certification system operated by the Nippon Kenko Kaigi (Japan Health Council) with the support from the Ministry of Economy, Trade and Industry. Duskin has received certification for five consecutive years — every year since the system began in 2017. Guided by the Duskin Health-focused Management Declaration, we promote health management initiatives and strive to raise the health awareness of every employee.



Duskin Group will continue to work in partnership with the health insurance society and labor union on the goal of obtaining certification for every Group company that is a member of the Duskin Health Insurance Society.

Duskin Health-Focused Management Declaration

For Happiness of Employees

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

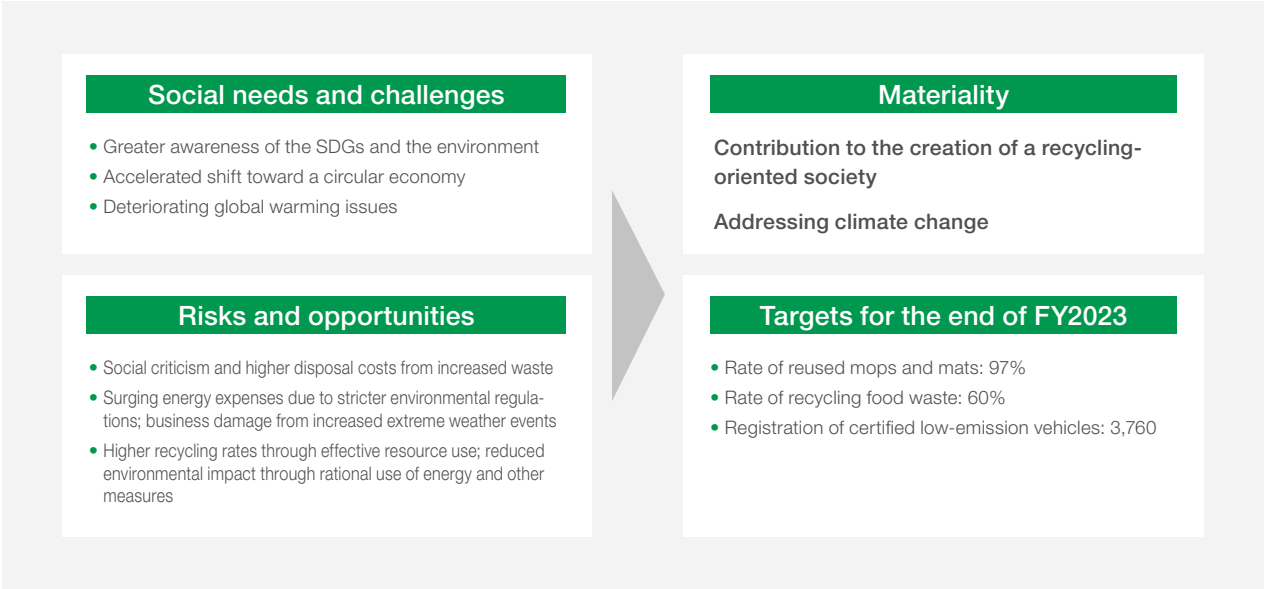


Aiming to Enhance Environmental Value



One way Duskin contributes to creating a sustainable society is by applying 3Rs (reduce, reuse, recycle) plus renewables over the entire product lifecycle. We also work hard on finding solutions to environmental issues to contribute to building a decarbonized society that is in harmony with nature and has a small environmental footprint.

Together with Our Environment



Revising the Environmental Management Framework and Environmental Policy

Duskin established its Environmental Philosophy and Environmental Policy in 1998, and we pursue a wide range of environmental conservation activities. To ensure that Duskin continues to abide by its Environmental Philosophy and carry out activities to preserve the global environment, our environmental management framework now delegates the President and CEO as the Chief Environmental Officer. We have also revised company Environmental Policy in order to clearly articulate to our stakeholders our goal of contributing to a sustainable society in the medium- and long-term out of concern over the environmental issues of the last few years.

For details about our environmental policy, please refer to the following web page. (Available in Japanese only)

<https://www.duskin.co.jp/sus/ecology/management/>

Duskin Green Target 2030

To ensure that Duskin contributes to achieving company growth and a sustainable society, in June 2021, we established Duskin Green Target 2030, a set of company environmental management goals through 2030.

These newly established targets that help achieve a recycling-oriented society include reducing food waste related to Duskin food businesses, reducing the use of fossil-fuel-derived plastics within the Duskin Group and within Duskin franchisees and franchised plants, and increasing container and packaging plastic recycling.

Reducing waste and efficient resource use help build a recycling-oriented society

2030 targets

- Reduce food waste by 50% (compared to 2000)
- Reduce fossil-fuel-derived plastics by 25% compared to 2020
- Recycle 60% of plastic containers and packaging

Responding to climate change helps achieve a decarbonized society

2030 targets

- Renewable energy use rate of 50%
- Reduce CO<sub>2</sub> emissions across Duskin Group locations by 46% compared to 2013

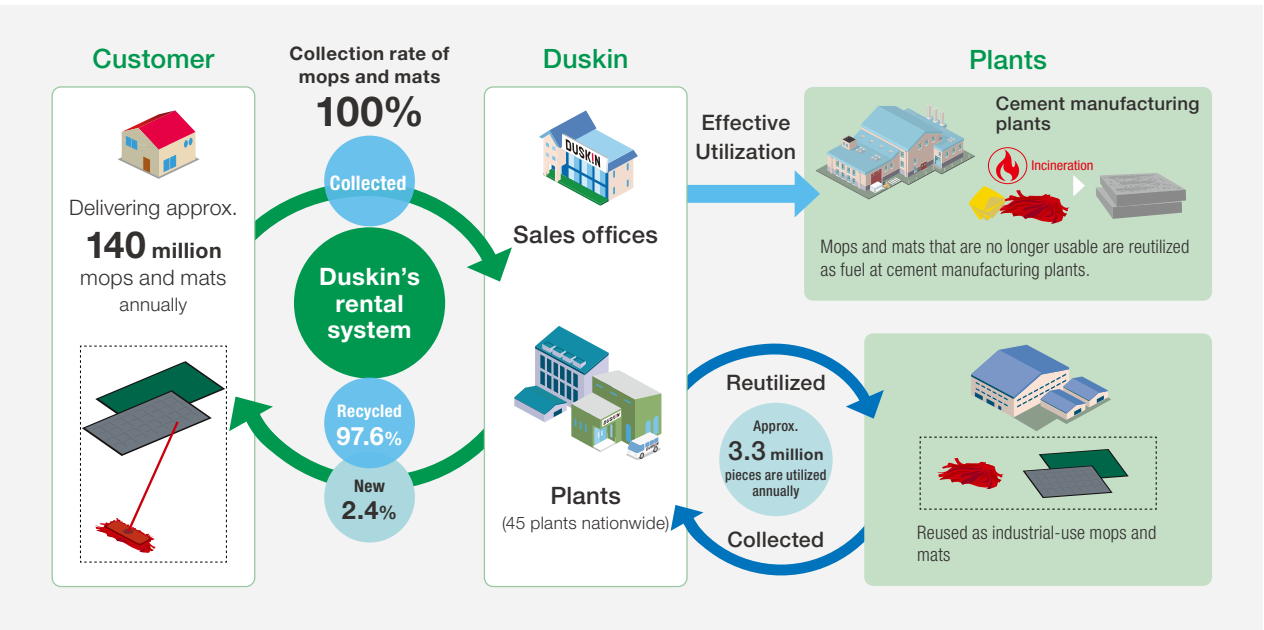
Helping Achieve a Recycling-Oriented Society

The cleaning utensil rental systems that Duskin has successfully popularized in Japan value things based on a “repeated use, shared use, reduction of needless waste and disposal” business approach. Duskin’s rental system enables effective environmental management over the entire lifecycle of the product. Along with an effort to make effective use of limited resources, Duskin promotes an environmentally conscious business operation, from product development to reuse, recycling, and disposal after use.

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



Food Group: Reducing food loss and recycling food waste

Mister Donut makes every effort to provide a wide selection of donuts, even for customers who visit just before closing time. Donuts left over at closing time are therefore transported to livestock feed processing plants where they are recycled into livestock feed. Moreover, in the Kinki region we have begun recycling donuts into biogas.

Food waste and recycling at the Food Group’s shops/restaurants

FY	2016	2017	2018	2019	2020
Food waste generated (t)	6,502	5,600	5,187	4,906	4,305
Waste prevented (t)	876	1,433	1,728	1,793	2,373
Recycling rate (%)	36.3	40.3	42.6	50.6	55.0

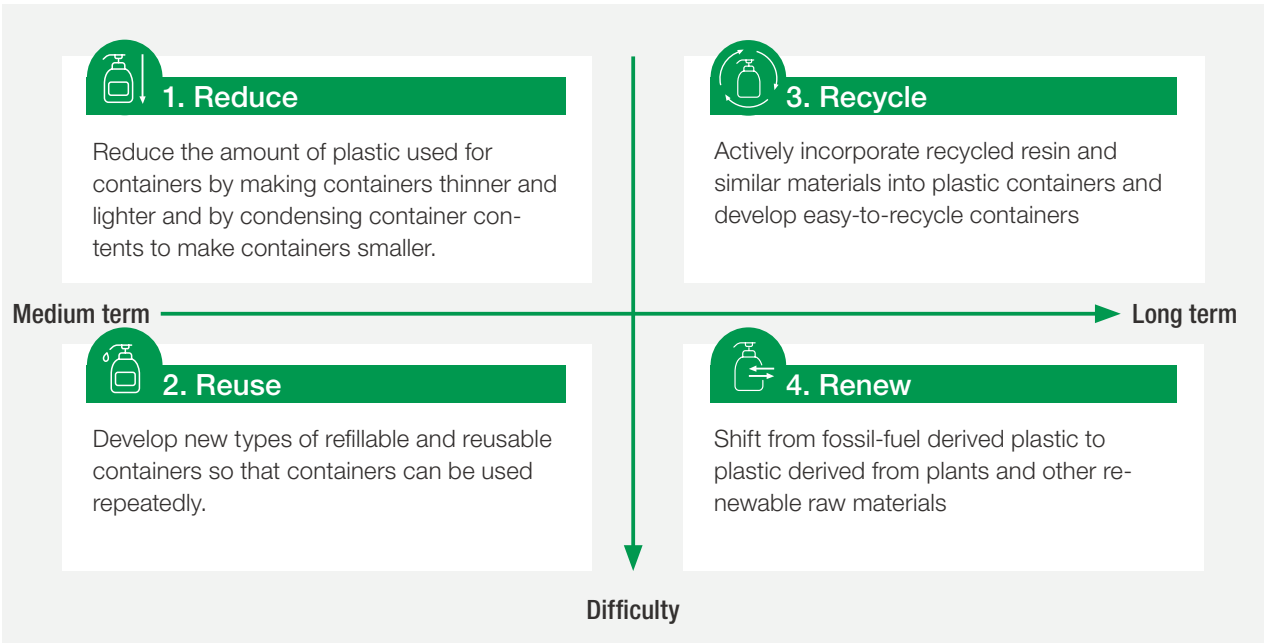
Percentage points reduced compared to 2000

FY	2016	2017	2018	2019	2020
Compared with 2020 (pp)	11.7	24.0	29.6	33.4	41.6

Aiming to Enhance Environmental Value

Reducing Container and Packaging Plastic

As a source of ocean garbage and other pollution, plastic has a major impact on the environment and on daily life. Duskin implements the following methods for handling plastic materials. These methods contribute to achieving a sustainable society by using resources effectively and by reducing environmental burden throughout the entire lifecycle of the plastic containers and packaging that we use.



The kitchen detergent Raku-in Pack system

The Raku-in Pack system features a pouch containing detergent that the consumer inserts into a reusable bottle. Since the consumer can refill the Raku-in Pack Bottle or Raku-in Pack Bottle Mini simply by covering the pouch with the top of the bottle, there is no need to open the pouch by hand in order to refill the container. The pouch is vacuum packed, so the consumer can use the bottle until all of the detergent is gone. What's more, it's sanitary.



Enhanced convenience encourages bottle reuse thus reducing plastic bottle waste and promoting efficient resource use.

Currently, Moisture-rich Body Soap, high-moisturizing body soap, kitchen detergent, and nachu Mouthwash are compatible with the Raku-in Pack system.

Entering the used plastic recycling business

Duskin invests in R Plus Japan, Ltd.

Duskin entered the used plastic resource recycling business by becoming an investor in R Plus Japan, Ltd., a joint capital venture launched in June 2020. Prompted by the need to respond to the globally recognized problem of plastic waste in the ocean, the new business will enable Duskin to both fulfill its corporate social responsibility and contribute to the government's used plastic resource recycling strategy.

Even before our investment in R Plus Japan, Duskin has been at work on a number of efforts to solve the plastic waste problem. These efforts include introducing biomass register bags to our dust control business and discontinuing free register bags and adopting biomass straw at Mister Donut shops. R Plus Japan is developing new ways to recycle used plastic, and Duskin is working with the company to help create new technology and methods that will, in the future, enable us to procure materials recycled from plastic waste.

Reducing CO<sub>2</sub> Emissions

Solar power generation system

Duskin's company-owned offices strive to reduce fossil fuel derived energy by using renewable energy. Our training facility, the Duskin School, has solar power generation panels installed in some of the building's glass walls. The Osaka Central Plant has installed a solar power generation system with 350 panels that generate up to 100kW of power.

In addition, six locations directly operated by the Direct Selling Group have installed solar power generation equipment. Besides making effective use of renewable energy, in the event of a power outage during a natural disaster, these sites can function as part of the region's disaster response framework.

Carbon-neutral LNG (CNL)

Carbon-neutral natural gas, or CNL, offsets greenhouse gases generated by natural gas throughout the extraction-to-combustion process with CO<sub>2</sub> credits, and LNG consumed under this scheme is not considered a source of global CO<sub>2</sub> emissions.

Since April 2021, gas consumed at the Duskin Tokyo Tama Central Plant has been carbon neutral, thus reducing the plant's CO<sub>2</sub> emissions. The plant generates about 1,721 tons of CO<sub>2</sub> annually, and it is estimated that the carbon neutral effort will reduce emissions by 1,192 tons, or about 70%.



Tokyo Tama Central Plant



Carbon Neutral LNG Buyers Alliance

Besides investigating ways to introduce CNL to our other plants, Duskin will continue to contribute to achieving a sustainable society by expanding and enhancing the value of CNL within the company and by purchasing CNL through the Carbon Neutral LNG Buyers Alliance, an alliance established by 15 companies that purchase CNL, including Duskin, together with Tokyo Gas, which procures and supplies CNL.

Promoting low-emission vehicles

Duskin is expanding its use of low-emission vehicles. We make it a rule to both adopt low-emission gas vehicles for service vehicles and adopt hybrid and other vehicles with excellent environmental performance for Duskin headquarters use.

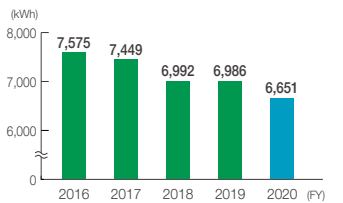


At the Duskin headquarters, we are replacing cars with hybrids, electric cars and other vehicles that comply with the latest gas emissions regulations. Moreover, and with a focus on company-owned sales offices and affiliated companies, we are energetically promoting idling stop and equipping service cars with auto-brake functions in order to prevent rear-end collisions.

Food Group shop efforts to reduce CO<sub>2</sub> emissions

At Mister Donut shops and other Food Group shops and restaurants, our goal is reducing CO<sub>2</sub> emissions while also maintaining a pleasant space for our customers. Our energy-saving efforts to reduce the burden on the environment include reviews of air conditioner temperature settings and lighting requirements as well as daily shop operation, such as diligently extinguishing back area lighting and monitoring basic utility usage.

Monthly electricity usage per Mister Donut shop



These efforts have achieved a steady year-on-year decline in shop monthly power usage. We will continue to promote a well-established and thorough energy conservation effort.

Aiming to Enhance Environmental Value

Action on Climate Change

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.

Governance

We established the Sustainability Committee, which consist of the Outside Directors, the Operating Officers, and the Standing Audit and 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 studies and determines agreements concerning environmental conservation and improvement issues, and the Environmental Liaison Committee, which manages the progress of environmental policies, as sub-organizations under the Sustainability Committee. This structure helps the Board of Directors to identify and monitor actual risks and opportunities, and to enhance climate change-related governance.

Environmental management structure



Strategy

Unusual weather and other effects of climate change are becoming increasingly serious, and how to respond to climate change has become an issue of global concern. To help realize a decarbonized society, which is a target established in the Environmental Policy, we are analyzing multiple scenarios in the near-future time span from 2030 to 2050 concerning physical changes brought about by climate change around the world as well as socioeconomic trends. Based on these analyses, we estimate the financial impact on Duskin's business performance, investigate what kind of measures to take in response and formulate strategy.

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 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	Larger typhoons	Higher flooding frequency at plants, shops and offices; higher power outage frequency	Higher recovery costs
	Chronic	Higher sea levels New rainfall patterns	Higher typhoons frequency	Procurement and logistics channel disruptions	Lower sales until recovery
		Higher average temperatures	Lower yields of farm product such as wheat and coffee	Increased number of employees standing by at home due to disasters	
				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 products and services	Higher profits

Risk management

We conducted a qualitative provisional climate change risk assessment to evaluate the possibility of climate change having a significant impact on the financial performance of our businesses.

Through a careful review of the results, we have identified the key drivers that could ultimately have a major impact on the business continuity of the Duskin Corporate Group and franchisees. We will continue to employ scenario analysis to evaluate and assess the risk posed by these key drivers.

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

Indicators and targets

To contribute to achieving a decarbonized society, we have established two targets to be met by 2030: shifting 50% of the energy consumed for the Duskin Group's business activities to renewable energy by 2030 and reducing CO<sub>2</sub> emissions at company-owned facilities by 46% from their 2013 level.

In FY2020, due to the coronavirus pandemic, employee travel and commuting declined, with the result that Scope 3 energy consumption and emissions were lower than the previous year.

Also, to ensure accurate and transparent information disclosure, Scopes 1, 2, and 3\* energy consumption and CO<sub>2</sub> emission figures have been certified as accurate by a third party.

\* Scope 1: Greenhouse gas emissions directly emitted by the Duskin Group  
Scope 2: Indirect emissions from the use of electricity, heat or steam supplied by other companies  
Scope 3: Indirect emissions not included in Scope1 and Scope2 (emissions by other companies engaged in activities related to the business)

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

FY	2013 (Base year)	2017	2018	2019	2020	Compared with base year
Scope 1	13,155	13,139	12,776	12,325	12,365	-6.0%
Scope 2	20,381	21,191	20,318	19,555	19,430	-4.7%
Scope 3	536,614	428,916	406,461	424,851	410,666	-23.5%
Total	570,150	463,246	439,556	456,730	442,461	-22.4%

Duskin has endorsed the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Along with analyzing the risks and opportunities posed by climate change, Duskin will properly disclose climate change-related information and contribute to building a sustainable society.







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. (Available in Japanese only)

<https://www.duskin.co.jp/sus/governance/corporate/pdf/governance.pdf>

Five key characteristics of corporate governance

1

- ◆ Of the nine board members, three are Outside Directors.
- ◆ The ratio of Outside Directors on the Board of Directors remained at 33%, as it was in FY2019.

Ratio of Outside Directors on the Board of Directors

33%

2

- ◆ Of the nine board members, two are women.
- ◆ Duskin is offering greater opportunities for women, who are essential to our business growth. One of our efforts is to ensure board diversity by promoting the appointment of female Directors.

Ratio of women on the Board of Directors

22%

3

- ◆ All Directors, including Outside Directors attend every Board of Directors meeting and actively engage in discussions on the company's business growth and on how to increase our corporate value in the medium and long term.
- ◆ This attendance rate reflects the average attendance rate for the Board of Directors meetings since the general meeting of shareholders held in June 2020.

Board of Directors attendance rate

100%

4

- ◆ To ensure the effectiveness and transparency 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.

Establishment of a Directors Evaluation Committee

5

- ◆ The Operating Officer System expedites the execution of company business by delegating decision-making authority for matters concerning a particular division to the officer in charge of that division. Delegating authority in this way enables the Board of Directors to focus on deliberating on important agenda items and on supervising the execution of company business.

Building a structure that allows Board members to comprehensively deliberate on important matters

Initiatives to strengthen corporate governance

We are strengthening 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 in 2018. With the aim of ensuring the independence of the Directors Evaluation Committee and maintaining its effectiveness, we changed it to consist of only independent directors and to function as 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.

FY	Specific initiatives
2021	<ul style="list-style-type: none"><li>◆ Share-based remuneration-type stock options replaced with a restricted stock remuneration plan</li><li>◆ Hybrid virtual shareholders' meeting (a meeting in which online participants do not have voting rights) held</li></ul>
2020	<ul style="list-style-type: none"><li>◆ Succession Plan to train and develop next-generation management launched</li><li>◆ Operations restructured into groups; COO and CFO designated</li></ul>
2019	<ul style="list-style-type: none"><li>◆ Advisory body function of the Directors Evaluation Committee switched to the Board of Directors instead of to the President</li></ul>
2018	<div>Operating Officer System introduced</div> <ul style="list-style-type: none"><li>◆ The number of Directors decreased from not more than 15 to not more than 12</li></ul> <div>Independent Outside Directors account for at least one third of all Directors</div>
2017	<ul style="list-style-type: none"><li>◆ A share-based remuneration-type stock option program established</li><li>◆ Directors Evaluation and Nomination System introduced</li></ul> <div>Directors Evaluation Committee organized</div>
2016	<ul style="list-style-type: none"><li>◆ Analyzation and evaluation of the effectiveness of the Board of Directors started</li></ul>
2015	<div>Outside Directors and Audit and Supervisory Board Members Council established</div> <ul style="list-style-type: none"><li>◆ The number of Outside Directors increased from two to three</li></ul> <div>Posting of shareholders' meeting notice on the web (earlier than distributing printed version) started</div>
2014	<ul style="list-style-type: none"><li>◆ The number of Outside Directors increased from one to two</li></ul>
2013	<ul style="list-style-type: none"><li>◆ Participates in Electronic Voting Platform</li></ul>
2008	<ul style="list-style-type: none"><li>◆ The number of Outside Audit and Supervisory Board Members increased from two to three</li></ul>
2007	<div>The Directors' retirement benefit program terminated</div>
2006	<ul style="list-style-type: none"><li>◆ Management philosophy included in the Articles of Incorporation</li><li>◆ A basic policy for the Internal Control System established</li></ul> <div>Risk Management Committee established</div> <ul style="list-style-type: none"><li>◆ 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></li></ul>
2003	<div>Quality Assurance Committee (now Sustainability Committee) organized</div> <div>Compliance Promotion Committee (now Compliance Committee) established</div>

Basic policy

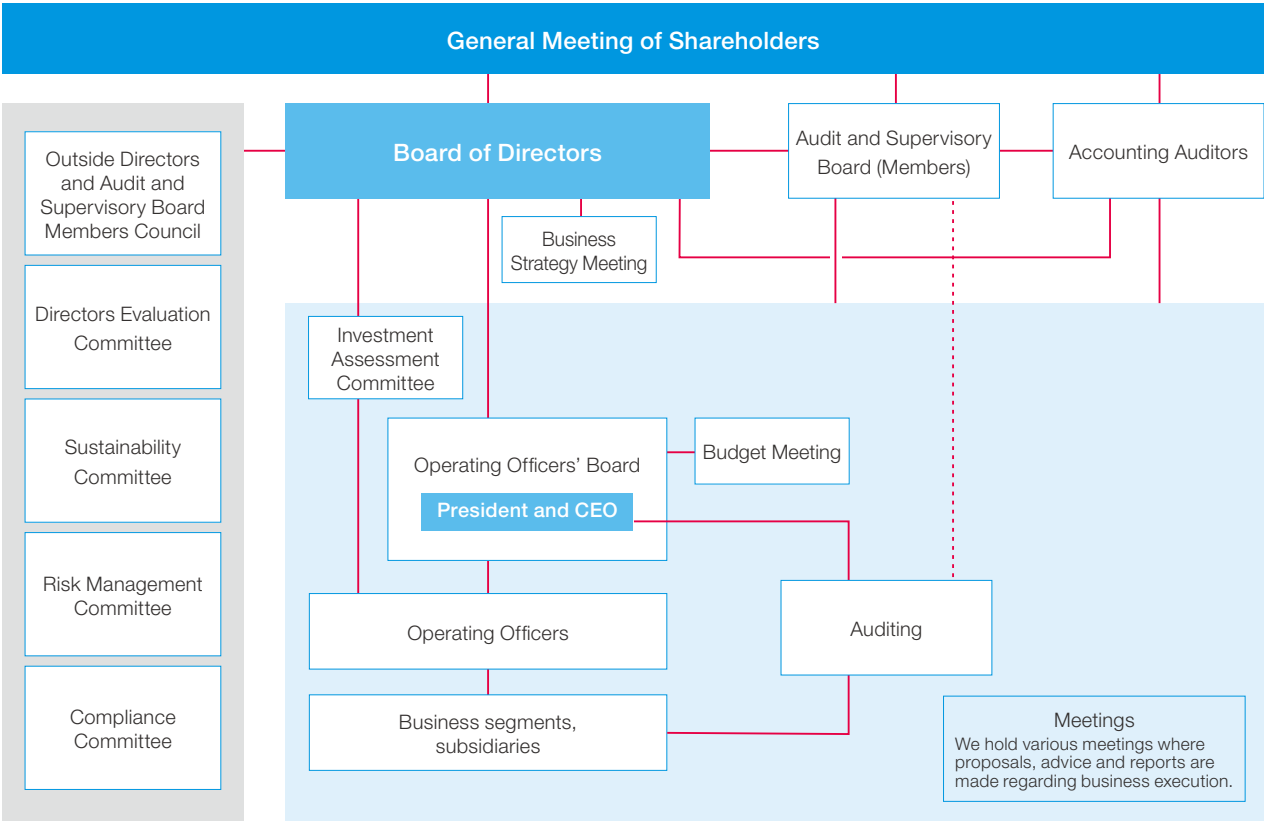
Upholding Founder Seichi Suzuki’s philosophy of Prayerful Management, we are committed to each of our business operations to sow the seeds of joy for people and communities. Our interpretation of corporate governance is for all of our employees to incorporate his earnest wish, as reflected in the philosophy, 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 corporate governance uses an audit and supervisory board system. We have introduced the Operating Officer System to streamline the Board of Directors’ decision-making process and strengthen its supervision of company business. To ensure the system’s effectiveness, we have also set up the Directors Evaluation and Nomination System. Additionally, to ensure that the process of determining the remuneration of individual directors is objective and transparent, we have established the Directors Evaluation Committee as an advisory body to the Board of Directors. At the Board of Directors, Directors monitor and supervise other Directors’ performance. The Audit and Supervisory Board consists of independent outside Audit and Supervisory Board Members capable of objectively conducting audits and internal full-time Audit and Supervisory Board Members, who are well acquainted with our business operations and have skills needed to gather information. Under this system, the Audit and 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 May 2021)



Board of Directors

Meeting attendance by Board Members and Audit and Supervisory Board Members ■Board of Directors ●Audit and Supervisory Board ★Chair ○Member △Observer

Name	Title	Attendance in FY2020	Outside Directors and Audit and Supervisory Board Members Council	Directors Evaluation Committee	Sustainability Committee	Risk Management Committee	Compliance Committee
Teruji Yamamura	President and CEO	■19/19			○		
Kazushi Sumimoto	Director and COO	■19/19			○		
Tetsuya Wada	Director and COO	■19/19			○		○
Naoto Miyata	Director and CFO	■19/19			○		★
Hiroyuki Okubo	Director and Operating Officer	■19/19			○		
Taku Suzuki	Director and Operating Officer	■19/19					
Tomoya Yoshizumi	Outside Director	■19/19	★	★			
Nobuko Sekiguchi	Outside Director	■19/19	○	○	○		○
Yukiko Tsujimoto	Outside Director	■14/14	○		○		○
Takashi Yoshida	Audit and Supervisory Board Member	■19/19 ●12/12				△	○
Hideyuki Naito	Audit and Supervisory Board Member	■19/19 ●12/12			○		
Takaaki Oda	Outside Audit and Supervisory Board Members	■19/19 ●12/12	○	○			
Sachiko Kawanishi	Outside Audit and Supervisory Board Members	■19/19 ●12/12	○				
Kyoichiro Arakawa	Outside Audit and Supervisory Board Members	■19/19 ●12/12	○				

Note: Board meeting attendance for Yukiko Tsujimoto reflects attendance after her appointment on June 23, 2020.

Business Strategy Meeting: Chaired by Teruji Yamamura, Representative Director, President and CEO

Main function: discuss companywide business strategies, business portfolios and the allocation of Duskin Group resources from a medium- to long-term perspective

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

Advisory bodies

Outside Directors and Audit and Supervisory Board Members Council: Chaired by Tomoya Yoshizumi, Outside Director

Main function: make recommendations for increasing corporate value over the medium to long term  
Duskin has an Outside Directors and Audit and 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

Main function: provide necessary advice in response to consultations from the Board of Directors in selecting candidates for Directors and Operating Officers and in determining their remuneration

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

As of April 2019, this committee, which had been an advisory body for the President and CEO, 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.

Sustainability Committee: Chaired by Minoru Okada, Operating Officer

Main function: determine medium-term framework and annual action plans regarding sustainability and deliberate on how to address unresolved sustainability issues

To achieve corporate growth and contribute to building a sustainable society, we have the Sustainability Committee, which is an advisory council for the Board of Directors. The purpose of the committee is to determine priority issues and the scope of action for ESG and SDGs to implement CSV strategy across the Duskin Group.



Business execution

Operating Officers’ Board: Chaired by Teruji Yamamura, Representative Director, President and CEO

Main function: deliberate important matters related to business execution  
For the President and 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.

Budget Meeting: Chaired by Teruji Yamamura, Representative Director, President and CEO

Main function: monitor budget progress for each business division, identify the discrepancies between forecasts and actual results and discuss measures to be taken  
The Budget Meeting is held to monitor budget progress for each business division, identify the discrepancies between forecasts and actual results and discuss measures to be taken, as well as to share information on such issues.

Investment Assessment Committee: Chaired by Naoto Miyata, Director and CFO

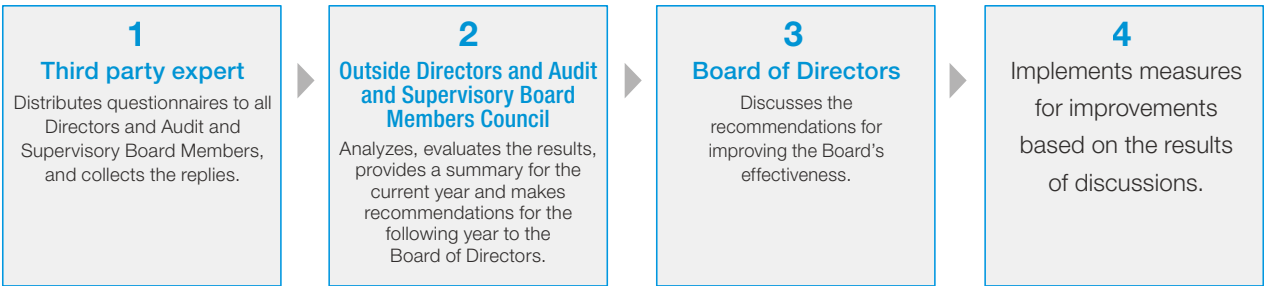
Main function: Raise the quality of plant, equipment and similar investments, and monitor the effectiveness of these investments after they are implemented  
The Investment Assessment Committee was established to raise the quality of investments in new business development as well as plants and equipment, and to monitor the effectiveness of these investments. The committee meets to deliberate as needed.

Evaluating Board of Directors effectiveness

Outline

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 FY2020 analysis and evaluation process and results and FY2021 plan are as follows.

Analysis and evaluation process Target and period: 15 meetings of the Board of Directors held between April 2020 and December 2020

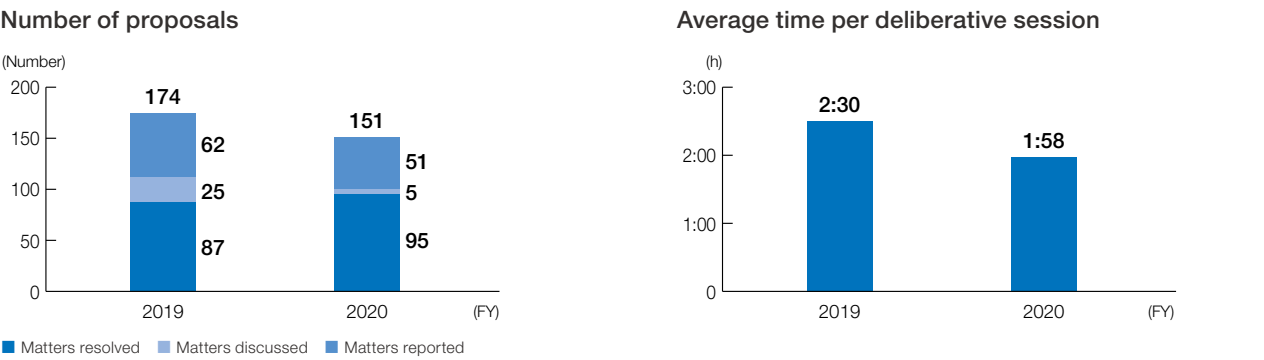


FY2020 issues		FY2020 initiatives	
1	Increase effectiveness of supervisory functions and broaden discussions on strategies for enhancing corporate value	➤	(i) Clarified Directors' responsibilities to supervise their business areas • Appointed a Chief Operating Officer (COO) for the Direct Selling Group and for the Food Group • Appointed Chief Financial Officer (CFO) (ii) Directors in charge attended important business division meetings and supervised the divisions and the entire value chain. In addition, Outside Directors continued to attend product and service development meetings and provide feedback. (iii) The Investment Assessment Committee, which was established in the previous fiscal year, conducted preliminary research and evaluation of investment proposals prior to deliberating on at Board of Directors meetings.
			(i) Reviewed new companies and new businesses launched in the previous fiscal year or earlier and deliberated on future initiative for these businesses (ii) Based on a portfolio assessment by business, deliberated on optimizing business portfolios on a companywide level
			(i) Revaluated the compensation and benefits system and revised the compensation structure for Operating Officers to strengthen the link between Operating Officer performance and compensation (ii) Launched Succession Plan and started periodic training • Started education program to train managerial personnel • Set up personnel talent pool, and raised the transparency of the Director and Operating Officer selection process by, for example, revising nomination form format
2	Further broaden discussions aimed at optimizing business portfolios on a companywide level	➤	
3	Deepen the discussions of organizational functions and the role of Operating Officers that respond to changes in the business environment and strategies	➤	

FY2021 initiatives

Issue	Plans
Conduct a thorough debate about strategies to enhance corporate value and increase effectiveness of supervisory function	1. Further strengthen the Board of Directors' supervisory function in order to implement clearer growth strategy, optimize the business portfolio and ensure steady progress on executing key strategies 2. Supervise how and in which domains Duskin utilizes its strengths to respond to a changing social environment while advancing Digital Transformation and strengthening the entire value chain 3. Accelerate the pace of evaluating, selecting and training future management personnel, including Board of Directors members, and reflect the results in the company's management structure

Number of proposals made to the Board meetings and the time devoted to deliberation



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 and Supervisory Board Members.

The Representative Director evaluates the nominee's qualification as a Director and the degree to which he/she practices the management philosophy and 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.

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. Mr. Yoshizumi was appointed an Outside Director because he is expected to provide Duskin with advice based on his past experience and expertise from the perspective of overall management supervision and raising corporate value in the medium- and long-term.
Nobuko Sekiguchi	After working as a management consultant, Ms. Sekiguchi joined Capcom, where she served as a Managing Corporate Officer responsible for corporate planning that included preparing the Med-Term Plan, managing the annual budget, working on organizational reforms, and M&A. She held a leading role in reforming Capcom's personnel system. Ms. Sekiguchi was appointed an Outside Director because she is expected to provide Duskin with advice based on her past experience and expertise from the perspective of overall management supervision and raising corporate value in the medium- and long-term.
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 communications, as well as serving as brand publicity leader for the Asian region. Ms. Tsujimoto was appointed an Outside Director because she is expected to provide Duskin with advice based on her past experience and expertise from the perspective of overall management supervision and raising corporate value in the medium- and long-term.

Note: All three are independent directors.

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

To ensure the independence of an Outside Director or Outside Audit and 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.

Note: Independence standards for outside directors established by our company are stipulated in our annual securities report (available in Japanese only).

 <https://www.duskin.co.jp/sus/governance/corporate/>

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 in place, their contributions and capabilities are determined and reflected in their remuneration.

The methods used in calculating Director remuneration and actual remuneration in FY2020 are as follows.

Process and calculation methods of Director remuneration and actual remuneration

Items	Methods applied in FY2020		
	Directors	Outside Directors	Audit and 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 makes the final decisions, taking into consideration the advice of the Directors Evaluation Committee, after thorough discussions (see page 57).</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>Compensation is determined within the amount resolved at the general shareholders' meeting.</li></ul>
Remuneration	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). * This is to allocate share acquisition rights in an amount not exceeding 50 million yen per year in lieu of a portion of basic remuneration.	<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 and Supervisory Board Member is determined based on discussions with those members.</li></ul>

Note: Compensation is determined within the amount resolved at the general shareholders' meeting. In July 2021, we introduced a restricted stock remuneration plan in place of the share-based remuneration-type stock option plan.

Actual remuneration (FY2020, thousands of yen)

Category	Type of remuneration				
	Total remuneration	Basic remuneration (Fixed amount)	Bonus (Performance-based)	Stock option	Number of directors
Directors	206,549	157,727	20,800	28,022	9
Note: The numbers above include three Directors who retired as of the 58th Ordinary General Meeting of Shareholders on June 23, 2020.					
Outside Directors	23,300	18,600	4,700	—	4
Note: The numbers above include one Outside Director and one Audit and Supervisory Board Member, both of whom retired as of the 58th Ordinary General Meeting of Shareholders on June 23, 2020.					
Standing Audit and Supervisory Board Members	50,550	46,350	4,200	—	3
Outside Audit and Supervisory Board Members	30,000	25,200	4,800	—	3

Note: The numbers above include one Audit and Supervisory Board Member who retired as of the 58th Ordinary General Meeting of Shareholders on June 23, 2020.

Internal control

Duskin Group has followed a philosophy of “unifying business and morals” as its core value. To realize our management philosophy, we have formulated the following Code of Conduct Statement to serve as a compass and 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.

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 and 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.

Training Directors and Audit and Supervisory Board Members and deepening their knowledge of Duskin

Starting in FY2020, Duskin has been preparing a succession plan and putting in place an executive-class training plan. Duskin provides periodic training that Directors and Audit and Supervisory Board Members need in order to perform their decision-making and executing duties, and training that operating officers need in order to perform their business duties. When appointing Outside Directors, the President and CEO explains the candidates about Duskin's management philosophy. After confirming their agreement on the philosophy, the President and CEO further explains Duskin's business strategy and business operations. In addition, to help them deepen their knowledge of Duskin, the company provides them opportunities to visit major business sites, training facilities and plants.

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 to earn trust in the company's management, receive a proper evaluation of the company and achieve 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.

We strive to improve our IR tools, including our website, that are useful for individual investors and shareholders in making investment decisions. Duskin proactively discloses the financial results, business strategies, sustainability-related information, news and other topics of interest.



# Message from Outside Directors

Three Outside Directors look back on the issues addressed in the 2020 Corporate Report and give their views on Duskin’s future direction and what the company needs to do now to enhance corporate value.

Issues discussed in the 2020 Corporate Report

In the 2020 Corporate Report, Outside Director Yoshizumi and Outside Director Sekiguchi discussed such issues as the lack of comments and the need for constructive proposals from a companywide perspective from Internal Directors. They also discussed applying selection and concentration as a way to effectively allocate managerial resources, how best to handle digitalization and the need for stronger corporate governance.



Outside Director  
**Tomoya Yoshizumi**

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, Bio-science & Finechemicals Business Division, Ajinomoto Co., Inc. and President of Ajinomoto U.S.A. (now Ajinomoto Health & Nutrition North America, Inc.). An Outside Director of Duskin Co., Ltd. since June 2017.

## To meet our ROE targets is a management's responsibility to our shareholders

The Board of Directors, including Internal Directors, give their opinions much more frequently, including topics beyond their own area of responsibility, and discussions have become more multifaceted and energetic as a result. This has made it possible to talk about withdrawing from underperforming businesses, and in my opinion Duskin is making solid progress on evaluating the viability of its businesses from a “selection and concentration” perspective. To further build this momentum, I will continue to express my opinions as an Outside Director representing our shareholders. I hope this will help accelerate the pace of optimizing and strengthening the overall value chain, which is another priority for Duskin.

The succession issue is one of the Outside Directors and Audit and Supervisory Board Members Council’s priorities. I am chairman of the Directors Evaluation Committee, which includes two Outside Directors. At the Committee meetings, we are deliberating how best to transparently and impartially evaluate next-generation leadership candidates who have produced results within each business group. If that works well, I think it will further raise the effectiveness of the Board of Directors. We are also looking at human resource education with an eye on the Group’s next-generation leadership. Clearly showing what kind of human resources we need is a management responsibility, and we are therefore discussing this issue with those in charge of personnel affairs.

Duskin conducts business guided by the philosophy of Unifying Business and Morals, and in order to practice this philosophy as a publicly listed company, achieving our ROE targets is a vital responsibility of all of management. I believe it is the role of Outside Directors to support the President and Group COOs in their efforts to meet these performance targets and to contribute to meeting these performance targets and returning some of those results to our shareholders. With a sense of responsibility and a sense of urgency toward our shareholders, I will therefore continue to advocate for effective management.



Outside Director  
**Nobuko Sekiguchi**

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.

## Duskin is a pioneer of product rental and SDGs

Compared to last year, discussions at Board of Directors meetings have become much more substantial. Besides discussion about proposals from individual business lines, there is a great deal more discussion about the company in the medium-term of three to five years and about overall company strategy. Last year I mentioned the need for more constructive proposals from the Board of Directors, and since then our Corporate Planning team, which guides medium-term strategy not only actively included the proposals on the company strategy in the agenda, but also they have prepared materials with concrete numbers that make it possible to have productive discussions. From a corporate governance perspective, I do not think there are very many companies capable of such frank discussion, and in the future I hope that we can contribute more time to discussing strategy. I want to encourage Internal Directors to express their opinions even more than they have so far.

Currently, increasing sales is an issue at Duskin, and a growth strategy is key to achieving sales growth. Duskin has been in the rental business for mop and mat products for some time, and the company has long advocated SDGs. Duskin also has superb services, and I think that the company has yet more potential for enhancing brand value. Moreover, it is my opinion that Duskin needs to leverage these strengths toward the new challenge of achieving a digital transformation of the company’s overall business model, including franchisees all over Japan. I have also attended, as an observer, the information system meetings that the company started last year in order to better understand the IT and digital challenge.

There is growing awareness within the company for the need for digital training for executives, and we will continue to apply Duskin’s resources to an all-out effort aimed at meeting the needs of the next-generation of consumers.



Outside Director  
**Yukiko Tsujimoto**

Ms. Tsujimoto joined Procter & Gamble Far East Inc. (now Procter & Gamble Japan K.K.) in 1986. After resigning the position of Director at Procter & Gamble Japan in 2014, she assumed the post of Representative Director at shapes Co., Ltd. An Outside Director of Duskin Co., Ltd. since June 2020.

## Understanding Duskin’s strengths, building a “third pillar” to help support the company 50 years from now

While I have served as an Outside Director for just one year so far, my impression is that Duskin practices effective governance not only in form but in substance. I can attend company meetings as an observer when I think it necessary, and I can obtain sufficient information about management issues by, for example, asking those involved to explain in advance the details of a presentation given at a Board of Directors meeting. It is easy to express opinions at Board of Directors meetings, and to my mind as an Outside Director they are easy to work with.

At Duskin, I would say that employees listen to the various opinions of other people and really try to do what needs to be done. Besides fulfilling my role as an Outside Director on the Board of Directors, and informed by my past experience and knowledge, I make an effort to contribute to enhancing corporate value. Taking part in new product and service development meetings and stating my opinions about things like customer understanding and development processes are among such efforts.

Duskin’s strength is a business model—and the brand power that accompanies it—that forms a single line extending from the product planning stage, through sales and services, and directly to the customer. In line with a changing social environment and customer needs, I hope that Duskin headquarters will take the initiative in using advances in technology to form even more robust, direct connections with our customers, including market segments that until now have posed challenges to the company.

Currently, Duskin’s business rests on two main pillars: clean service and Mister Donut. In the future, Duskin needs to further strengthen its business foundation by working hard on nurturing a third pillar. As a member of management, I am always thinking about what kind of company we want Duskin to become 50 years from now and working hard to contribute to making the company a profitable and growing business.

Risk Management

Risk management policy

The risk that is a part of the business environment is becoming increasingly diverse and complex. Some risks are extremely difficult to predict in advance, such as the coronavirus pandemic that has been spreading worldwide since last year. Nonetheless, Duskin is making efforts to assess all kinds of risk in advance. We have taken measures to prevent coronavirus infection in order to avoid and minimize any damage it might cause to company operations should it become a threat.

Risk management system

Duskin has prepared Basic Rules on Risk Management and has established a risk management department and assigned supervisors according to these rules. We have also established the Risk Management Committee as an advisory body to the Board of Directors. At our subsidiaries, we appoint risk management supervisors appropriate to the company's scope and nature of business, and we practice comprehensive and the Duskin Corporate Group risk management.

Furthermore, we have set up a secretariat office consolidating all risk management-related operations and clerical work within the Risk Management section of the Quality Assurance & Risk Management so that any section in charge of risk management and secretariat office can work together on preparing a response should the company be exposed to risk. In addition to these measures, we will deploy a response task force should an event occur that has a high potential for exposing the Duskin Corporate Group to risk.

Common types of risk and their countermeasures

Category	Description of risk	Countermeasures
Business model (Franchise system)	Difficulty in obtaining consent and cooperation from franchisees, which leads to suspension or delay of business plans	Have sufficient communication with franchisees to obtain consent for cooperation and sharing expenses when developing and introducing new products and services as well as opening new shops and renovating existing shops.
	Termination or cancellation by franchisees, lawsuits with franchisees, violations of laws and ordinances by franchisees and scandals	Implement comprehensive programs to provide guidance and training to franchisees while continuing to develop relationships with them.
Changes in business environment	Decline in market size of the Clean Service business	Develop products, expand sales channels, and respond to diversified payment methods; expand the Care Service businesses, which are expected to grow, by recruiting new franchisees.
	Mister Donut business risks: changes in market trends, competition and consumer preferences; higher cost of ingredients	Expand the business through: new openings in urban and suburban areas; shop renovations and relocations to meet customers' needs and locational factors; value-added menu development; business development mainly in Asia.
Product safety	Quality problems of products provided by the Direct Selling Group	Objectively check safety and reliability of the products starting with the development stage; focus on maintaining quality standards even after the launch of products, by conducting quality checks from time to time.
Food safety	Food poisoning and violation of laws and ordinances, including Food Sanitation Act, at our shops and restaurants	Develop and operate an internal food safety management system, including the establishment of hygiene management guidelines and regular voluntary inspections using third-party experts.
Service quality	Liabilities for accidents occurred when offering a service. Health hazards arising from service defects or problems involving equipment and materials	Prepare manuals on accident prevention and emergency response, and thoroughly improve the skills of employees through education and training. Since service staff need to have certain technical skills, we will maintain a consistent level of service quality through training and licensing systems.
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.
Natural disasters	Suspension of business operations or damage to facilities caused by large-scale natural disasters such as earthquakes, typhoons and floods	Establishment of a safety confirmation system, preparation of response manuals and maintenance of a business continuity plan to minimize the damage caused by natural disasters; conduct disaster response drills.
Coronavirus pandemic	How the pandemic will progress remains unclear, but should it continue for the long term, or should it become more severe, it has the potential of having an even greater impact on business performance	Implement countermeasures to prevent spread of infection and ensure safety, with customer safety the top priority. As a franchisor, we support all our franchisees to ensure that every shop and sales unit around the country stays in operation.
Information security	Significant problems such as personal information leaks caused by insufficient measures to counter external threats such as cyberattacks and inadequate IT security	Formulate regulations such as Personal Information Protection Rules; conduct training for executives and employees; hold seminars for franchisees; develop and operate a system for safeguarding and managing personal information, including measures for IT system security.

Regarding climate change and other environmental-related risk, see pp. 52-53 of this report.

Compliance

Basic policy and framework

At Duskin, “compliance” means putting ourselves in the place of others and thinking and acting according to their expectations. To ensure a healthy business operation and raise corporate value in the long term, and so that every employee earns the trust of our customers and of society in general, our daily business conduct is guided by the Duskin Code of Conduct and we always strive to observe compliance.

The third edition of Duskin Code of Conduct (Available in Japanese only)

<https://www.duskin.co.jp/sus/governance/standard/>

Initiatives to promote compliance

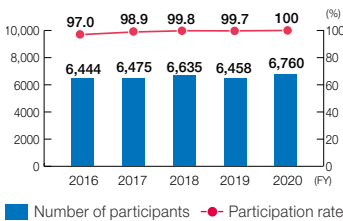
Compliance Committee

Duskin has set up the Compliance Committee as an advisory body to the Board of Directors. The Compliance Committee monitors the effectiveness of the Code of Conduct, and it conducts surveys on compliance-related issues and requests appropriate actions to remedy them. In FY2020, the number of major compliance violations was zero.

Compliance training sessions

To ensure that its members understand and faithfully observe the Duskin Code of Conduct, the Duskin Group holds compliance training sessions every year for all directors and employees. In FY2020, Duskin conducted corporate risk management training for directors and management-class employees and Personal Information Protection Law and insider trading training for regular employees. We will continue to provide training that fosters deeper appreciation and understanding of corporate compliance.

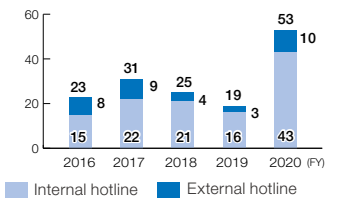
Compliance training participants



Whistleblower hotline

In accordance with the Whistleblower Protection Act, Duskin operates a direct notification hotline system that includes the Corporate Compliance section as the system's in-house contact and an outside law firm as its external contact. The system can be used not only by full-time employees but also by part-time and dispatch employees. Moreover, a whistleblower can remain anonymous so that he or she cannot be fired, transferred, discriminated against or otherwise treated unfairly for using the hotline. In FY2020, the number of hotline users increased due to anxiety and other factors caused by the coronavirus pandemic and by distributing new hotline posters at all business locations aimed at making the availability of the hotline better known.

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.

Day of Resolve

At the Duskin Group, May 31, 2002 is known as the day of the Large Meat Dumpling incident\*. On that day, the Duskin Group was issued a partial suspension of business order by the Osaka Prefectural Government due to a violation of the Food Sanitation Act. To remember the lessons of this event, and to ensure that they serve as a guide in the future, the Duskin Group has established May 31 as the Day of Resolve, a day on which every employee writes a message to consumers and to society in general reaffirming their pledge to always observe compliance. It has been nearly 20 years since the Large Meat Dumpling incident, and observing the Day of Resolve every year contributes to raising our awareness of the importance of compliance and to preventing such an incident from ever happening again.

\*The Large Meat Dumpling incident: A food additive unauthorized at the time in Japan was used for the Large Meat Dumpling menu 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 and Supervisory Board Members (As of October 1, 2021)

## Board of Directors

Representative Director,  
President and CEO

**Teruji Yamamura**

Number of shares owned:  
34,585  
Board meeting attendance in  
FY2020: 19/19



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

Director and COO

**Kazushi Sumimoto**

Number of shares owned:  
11,685  
Board meeting attendance in  
FY2020: 19/19



June 2020 Director and COO, Direct Selling Group General Manager; Strategy Management, Direct Selling Group (to the present)  
Apr. 2020 Director and Executive Operating Officer, Direct Selling Group General Manager; Strategy Management, Direct Selling Group  
Apr. 2019 Director and Executive Operating Officer, Corporate Planning, General Affairs, Accounting, Public Relations, Information System and Production & Logistics  
Apr. 2018 Director and Senior Operating Officer, Corporate Planning and Production & Logistics  
Apr. 2017 Director, Corporate Planning and Production & Logistics  
May 2016 Director, Corporate Planning, Life Care Development Group, Rent-All, Uniform Service and Health & Beauty  
June 2014 Director, Home Instead (now Life Care); Division Manager, Rent-All  
Apr. 1983 Joined the Company

Director and COO

**Tetsuya Wada**

Number of shares owned:  
2,700  
Board meeting attendance in  
FY2020: 14/14



Oct. 2020 Director and COO, Food Group (to the present)  
June 2020 Director and COO, Food Group; Division Manager, Food Business Development  
Apr. 2020 Operating Officer, Food Group; Division Manager, Food Business Development  
Apr. 2018 Operating Officer; General Manager, Mister Donut Business Group  
Apr. 1986 Joined the Company

Director and CFO

**Naoto Miyata**

Number of shares owned:  
1,400  
Board meeting attendance in  
FY2020: 14/14



Apr. 2021 Director and CFO, Corporate Administration Group (to the present)  
June 2020 Director and CFO; Legal Affairs and Corporate Compliance, Accounting and General Affairs (to the present)  
Apr. 2020 Operating Officer, Accounting  
Apr. 2018 Joined the Company General Manager, Corporate Account  
Apr. 2014 General Manager, Public & Financial Institutions Banking Dept., Sumitomo Mitsui Banking Corporation

Director and Operating  
Officer

**Hiroyuki Okubo**

Number of shares owned:  
2,985  
Board meeting attendance in  
FY2020: 14/14



June 2021 Director and Operating Officer, Corporate Planning Group (to the present)  
Apr. 2021 Director and Operating Officer; President's Office, Corporate Planning, Information System and Shared Services Center (to the present)  
Dec. 2020 Director and Operating Officer; President's Office, Information System and Shared Services Center Manager, Corporate Planning  
June 2020 Director and Operating Officer; President's Office and Information System Manager, Corporate Planning  
Apr. 2020 Operating Officer, Information System; Manager, Corporate Planning  
Apr. 2018 Operating Officer; Manager, Corporate Planning  
Apr. 1985 Joined the Company

Director and Operating  
Officer

**Taku Suzuki**

Number of shares owned:  
5,700  
Board meeting attendance in  
FY2020: 19/19



Apr. 2021 Director and Operating Officer, New Business Development and Corporate Account (to the present)  
June 2020 Director and Operating Officer; Rent-All, Health Rent and Life Care  
Apr. 2018 Director and Senior Operating Officer; Rent-All, Health Rent, Life Care, Uniform Service and Health & Beauty  
Apr. 2017 Director; Life Care Development Group, Rent-All, Uniform Service and Health & Beauty  
June 2016 Director, Product Inspection Center; General Manager, Production & Logistics  
Apr. 1989 Joined the Company

Director

Outside Director (Independent)

**Tomoya Yoshizumi**

Number of shares owned:  
400  
Board meeting attendance in  
FY2020: 19/19



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

Director

Outside Director (Independent)

**Nobuko Sekiguchi**

Number of shares owned: –  
Board meeting attendance in  
FY2020: 19/19



June 2020 Outside Director, Audit and Supervisory Committee Member, H&O Retailing Corporation (to the present)  
June 2019 Director, the Company (to the present)  
Mar. 2019 Resigned from Capcom Co., Ltd.  
Apr. 2016 Managing Corporate Officer and Head of Corporate Planning & Human Resources Division  
Apr. 2011 Corporate Officer, Head of Corporate Planning Division  
Apr. 2007 General Manager of Accounting Department  
Nov. 2005 Joined Capcom Co., Ltd.  
(Significant concurrent positions)  
Outside Director, Audit and Supervisory Committee Member, H&O Retailing Corporation

Director

Outside Director (Independent)

**Yukiko Tsujimoto**

Number of shares owned: –  
Board meeting attendance in  
FY2020: 14/14



June 2020 Director, the Company (to the present)  
Apr. 2018 Kobe City Personnel Committee Member (to the present)  
Nov. 2014 Representative Director, Shapes Co., Ltd. (to the present)  
June 2014 Resigned from Procter & Gamble Japan K.K.  
Apr. 2014 Resigned from the position of Director, P&G K.K.  
July 2012 External Relations Director, Procter & Gamble Japan K.K.  
June 2012 Resigned from the position of Director, Procter & Gamble Japan K.K.  
Apr. 2008 Director, P&G K.K.  
Mar. 2006 Director, Procter & Gamble Japan K.K.  
Apr. 1986 Joined Procter & Gamble Far East Inc. (now Procter & Gamble Japan K.K.)  
(Significant concurrent position)  
Representative Director, Shapes Co., Ltd.

## Audit and Supervisory Board Members

Audit and Supervisory  
Board Member

**Takashi Yoshida**

Number of shares owned:  
6,585  
Meeting attendance in FY2020  
Board meetings: 19/19  
Audit and Supervisory Board  
meetings: 12/12



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

Audit and Supervisory  
Board Member

**Hideyuki Naito**

Number of shares owned:  
6,975  
Meeting attendance in FY2020  
Board meetings: 19/19  
Audit and Supervisory Board  
meetings: 12/12



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

Audit and Supervisory  
Board Member

Outside Audit and Supervisory  
Board Member (Independent)

**Takaaki Oda**

Number of shares owned:  
900  
Meeting attendance in FY2020  
Board meetings: 18/19  
Audit and Supervisory Board  
meetings: 12/12



June 2014 Audit and Supervisory Board Member, the Company (to the present)  
May 2002 Partner, Miyake & Partners (to the present)  
Jan. 1995 Partner, Miyake Godo Law Office  
Apr. 1988 Registered at Osaka Bar Association, and joined Miyake Godo Law Office  
Oct. 1985 Passed National Bar Examination  
(Significant concurrent positions)  
Director, Audit and Supervisory Committee Member, New Japan Chemical Co., Ltd.

Audit and Supervisory  
Board Member

Outside Audit and Supervisory  
Board Member (Independent)

**Sachiko Kawanishi**

Number of shares owned: –  
Meeting attendance in FY2020  
Board meetings: 19/19  
Audit and Supervisory Board  
meetings: 12/12



June 2016 Audit and Supervisory Board Member, the Company (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 (now Deloitte Touche Tohmatsu LLC)  
Apr. 1981 Joined Honeywell Information Systems Japan, Inc. (now NEC Nexsolutions, Ltd.)  
(Significant concurrent position)  
Senior Managing Director, Internet Disclosure Co., Ltd.

Audit and Supervisory  
Board Member

Outside Audit and Supervisory  
Board Member (Independent)

**Kyoichiro Arakawa**

Number of shares owned:  
5,600  
Meeting attendance in FY2020  
Board meetings: 19/19  
Audit and Supervisory Board  
meetings: 12/12



Mar. 2020 Representative, BP Asia Consulting Co., Ltd. (to the present)  
July 2017 President and CEO, Best Partners Co., Ltd. (to the present)  
June 2016 Audit and Supervisory Board Member (to the present)  
Sept. 2007 Director MIT Corporate Advisory Services, Co., Ltd.  
July 1997 Joined KPMG Century Audit Corporation (now KPMG AZSA LLC)  
Apr. 1997 Registered as Certified Public Accountant  
Oct. 1992 Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC)  
(Significant concurrent positions)  
President and CEO, Best Partners Co., Ltd.; Representative, BP Asia Consulting Co., Ltd.

## Operating Officers

Representative Director,  
President and CEO

**Teruji Yamamura**

Auditing

Director and COO

**Kazushi Sumimoto**

Direct Selling Group  
Strategy Management, Direct Selling Group

Director and COO

**Tetsuya Wada**

Food Group

Director and CFO

**Naoto Miyata**

Corporate Administration Group

Director and Operating Officer

**Hiroyuki Okubo**

Corporate Planning Group

Director and Operating Officer

**Taku Suzuki**

New Business Development,  
Corporate Account

Operating Officer

**Kazuyoshi Fujioka**

Operations, Direct Selling Group

Operating Officer

**Sachiko Hashimoto**

Quality Assurance & Risk Management and  
Human Resources

Operating Officer

**Seishi Nemoto**

Mister Donut Business Group

Operating Officer

**Keichi Emura**

Planning & Development, Direct Selling Group

Operating Officer

**Shinichiro Ueno**

Public Relations and International

Operating Officer

**Minoru Okada**

Shared Services Center and Corporate Planning

Operating Officer

**Keishi Morita**

Production & Logistics

## ESG Data (Environmental)

### Climate change

		Boundary	Unit	2016	2017	2018	2019	2020
Year-on-year comparison of energy consumption intensity		Chain business operators specified by the energy saving law <sup>1</sup>	%	101.4	99.0	93.6	94.3	93.7
Energy usage	Electricity	Duskin Group, franchisees, franchised plants	Thousand kWh	184,356	173,285	162,835	156,224	149,578
	City gas	Duskin Group, franchisees, franchised plants	Thousand m <sup>3</sup>	6,089	6,179	5,751	5,751	5,733
	Propane gas	Duskin Group, franchisees, franchised plants	Thousand m <sup>3</sup>	493	446	405	330	304
	Heavy oil	Duskin Group, franchisees, franchised plants	Thousand L	8,521	8,269	8,161	8,009	7,652
	Kerosene	Duskin Group, franchisees, franchised plants	Thousand L	738	742	663	643	685
	Total	Duskin Group, franchisees, franchised plants	Thousand GJ	2,527	2,407	2,273	2,193	2,110
CO <sub>2</sub> emission <sup>2</sup>	Scope 1	Duskin Group	t-CO <sub>2</sub>	12,323	13,139	12,776	12,325	12,365
	Scope 2	Duskin Group	t-CO <sub>2</sub>	23,261	21,191	20,318	19,555	19,430
	Scope 3 (Greenhouse gas emissions from the entire supply chain)	t-CO <sub>2</sub>	485,463	428,916	406,461	424,851	410,666	
	Category 1	Purchased goods and services	t-CO <sub>2</sub>	264,626	249,251	238,232	252,905	235,277
	Category 2	Capital goods	t-CO <sub>2</sub>	14,834	14,215	15,093	22,930	31,426
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	t-CO <sub>2</sub>	2,135	2,118	2,115	10,875	5,339
	Category 4	Upstream transport and delivery	t-CO <sub>2</sub>	29,544	29,174	28,462	26,996	25,383
	Category 5	Waste generated in operations	t-CO <sub>2</sub>	1,313	1,217	1,132	1,265	1,264
	Category 6	Business travel	t-CO <sub>2</sub>	2,143	2,099	2,154	2,017	778
	Category 7	Employee commuting	t-CO <sub>2</sub>	2,299	2,224	2,237	2,219	1,860
	Category 8	Leased assets (upstream)	t-CO <sub>2</sub>	N/A				
	Category 9	Downstream transportation and delivery	t-CO <sub>2</sub>	N/A				
	Category 10	Processing of sold products	t-CO <sub>2</sub>	N/A				
	Category 11	Use of sold products	t-CO <sub>2</sub>	46,907	11,058	10,264	9,600	19,785
	Category 12	End-of-life treatment of sold products	t-CO <sub>2</sub>	232	169	135	151	158
<sup>2</sup> In FY2020, we reviewed the scope and calculation method. (CO <sub>2</sub> emissions from franchised plants have been retroactively transferred to Scope 3.)	Category 13	Downstream leased assets	t-CO <sub>2</sub>	20,279	19,680	18,224	15,457	15,459
	Category 14	Franchises (franchisees and franchised plants)	t-CO <sub>2</sub>	101,152	97,711	88,414	80,436	73,937
	Category 15	Investments	t-CO <sub>2</sub>	N/A				
	Total	t-CO <sub>2</sub>	521,047	463,246	439,556	456,730	442,461	

### Contamination; resource use

Boundary			Unit	2016	2017	2018	2019	2020
NOx emission	Vehicles belonging to company-owned sales offices in Tokyo, Osaka and Aichi Prefectures		t	0.12	0.08	0.05	0.04	0.04
Use of chemicals	Production and logistic facilities	Duskin Group and franchised plants	t	5,660	7,140	6,967	6,509	6,001
Detergent	Production and logistic facilities	Duskin Group and franchised plants	t	1,766	1,756	1,712	1,699	1,605
Waste subject to special control	Production and logistic facilities	Duskin Group and franchised plants	t	Nil	Nil	Nil	Nil	0.99
Waste generated	Production and logistic facilities	Duskin Group and franchised plants	t	14,937	14,458	14,070	14,336	13,481
Plastic waste			t	515	541	495	598	688
Wastewater sludge			t	11,640	11,348	11,100	10,888	10,159
Factory-rejected mats and mops			t	2,782	2,569	2,475	2,850	2,634
Resources recycled	Production and logistic facilities	Duskin Group and franchised plants	t	1,744	1,456	1,367	1,426	1,515
Recyclable waste			t	334	339	335	350	380
Service equipment*			t	710	540	520	572	629
Cardboard			t	700	577	512	504	506
Food waste generated	Food Group	Duskin Group and franchisees	t	6,502	5,600	5,187	4,906	4,305
Waste reduced	Food Group	Duskin Group and franchisees	t	876	1,433	1,728	1,793	2,373
Recycling rate	Food Group	Duskin Group and franchisees	%	36.3	40.3	42.6	50.6	55.0
Reduction rate of food loss with FY2000 as 100%	Food Group	Duskin Group and franchisees	%	11.7	24.0	29.6	33.4	41.6
Green purchasing ratio for office and other supplies	Head office and headquarters	Duskin Co., Ltd.	%	100	100	100	100	100
Copy paper consumption	Head office and headquarters	Duskin Co., Ltd.	t	58.1	58.4	52.5	57.1	56.2
Percentage of sales office with ISO 14001 certification	Based on number of employees	Duskin Co., Ltd.	%	62.9	65.3	70.1	75.3	74.1
Number of vehicles certified as low emission		Duskin Group and franchisees		127	350	1,423	2,637	4,163
Fines for violations of environment-related laws and regulations		Duskin Group, franchisees, franchised plants	Yen	0	0	0	0	0

\* Service equipment represents mop handles, air-purifier main units and water purifier main units.

### Water usages

Boundary			Unit	2016	2017	2018	2019	2020
Water intake	Production and logistic facilities	Duskin Group and franchised plants	Thousand m³	2,266	2,207	2,223	2,217	2,145
Drinking water			Thousand m³	311	303	305	303	309
Industrial water			Thousand m³	412	402	405	403	297
Groundwater			Thousand m³	1,542	1,502	1,514	1,511	1,539
Water intake intensity	2016 as the base year of 100		%	100.0	98.0	97.6	100.2	102.8
Wastewater	Production and logistic facilities	Duskin Group and franchised plants	Thousand m³	2,152	2,096	2,112	2,106	2,038
To sewer systems			Thousand m³	1,350	1,315	1,325	1,321	1,278
To rivers			Thousand m³	802	781	787	785	759

### Biodiversity

		Boundary	Unit	2016	2017	2018	2019	2020
Installed mats on the trails of Hakusan National Park	Direct Selling Group	Duskin Co., Ltd.	Pcs.	47	44	44	44	44

## ESG Data (Social)

### Labor standards

		Boundary	Unit	2016	2017	2018	2019	2020
Number of employees	Male	Duskin Group	No.	2,325	2,429	2,443	2,422	2,413
	Female	Duskin Group	No.	1,203	1,344	1,370	1,380	1,406
	Total	Duskin Group	No.	3,528	3,773	3,813	3,802	3,819
	Japan	Duskin Group	No.	3,453	3,488	3,530	3,530	3,555
	Overseas	Duskin Group	No.	75	285	283	272	264
	Full-time employees	Duskin Group	No.	2,881	3,124	3,124	3,128	3,175
	Part-time employees	Duskin Group	No.	647	649	689	674	644
New employees	New graduates	Duskin Group	No.	31	160	41	53	50
	Mid-career hires	Duskin Group	No.	195	169	199	264	252
Employees promoted to permanent positions		Duskin Group	No.	100	111	36	37	134
Employees who quit the company		Duskin Group	No.	131	158	257	286	195
Labor union membership	Number of members	Duskin Group	No.	3,111	3,082	3,060	3,029	3,016
	Membership ratio	Duskin Group	%	100	100	100	100	100
Employees who have taken childcare leave	Male	Duskin Group	No.	0	2	1	2	3
	Female	Duskin Group	No.	58	35	51	51	49
Employees who have taken nursing-care leave	Male	Duskin Group	No.	0	0	2	2	1
	Female	Duskin Group	No.	1	2	4	1	3
Retirees rehired		Duskin Group	No.	61	53	63	69	76
People with disabilities employed	Number	Duskin Group	No.	172	177	201	199	211
	Ratio	Duskin Group	%	2.34	2.41	2.70	2.68	2.81
Number of employees	Total	Duskin Co., Ltd. only	No.	1,954	1,991	2,020	1,974	1,988
	Females	Duskin Co., Ltd. only	No.	607	643	685	697	717
	Female employee ratio	Duskin Co., Ltd. only	%	31.1	32.3	33.9	35.3	36.1
Employees in managerial positions	Total	Duskin Co., Ltd. only	No.	349	375	372	371	357
	Females	Duskin Co., Ltd. only	No.	22	24	27	30	32
	Ratio of females in managerial positions	Duskin Co., Ltd. only	%	6.3	6.4	7.2	8.1	9.0
New employees (New graduates and mid-career hires)	Total	Full-timers of Duskin Co., Ltd.	No.	114	108	73	70	90
	Mid-career hires	Full-timers of Duskin Co., Ltd.	No.	86	69	33	26	45
	Ratio of mid-career hires	Full-timers of Duskin Co., Ltd.	%	75.4	63.9	45.2	37.1	50.0
	Females	Full-timers of Duskin Co., Ltd.	No.	67	48	34	23	29
	Ratio of females in new employees	Full-timers of Duskin Co., Ltd.	%	58.8	44.4	46.6	32.9	58.0
Employees who left the company for personal reasons	Total	Full-timers of Duskin Co., Ltd.	No.	78	58	71	87	22
	Ratio	Full-timers of Duskin Co., Ltd.	%	80.4	71.0	55.0	77.0	59.0
Rate of paid vacations taken		Duskin Co., Ltd. only	%	50.7	56.3	69.4	73.5	69.4
Average age	Male	Duskin Co., Ltd. only	Age	46.2	46.7	47.0	47.4	47.5
	Female	Duskin Co., Ltd. only	Age	42.6	42.7	42.7	42.7	42.6
	Total	Duskin Co., Ltd. only	Age	45.1	45.4	45.6	45.7	45.8
Average years of service	Male	Duskin Co., Ltd. only	Year	18.0	18.1	18.1	18.2	17.5
	Female	Duskin Co., Ltd. only	Year	12.6	12.4	12.0	12.1	11.7
	Total	Duskin Co., Ltd. only	Year	16.3	16.3	16.1	16.1	15.4
Employee survey scores		Duskin Co., Ltd. only	%	3.76	3.79	—	The survey method has been changed starting in 2020.	92.6
Training hours per employee per year		Duskin Co., Ltd. only	Hour	15.5	12.6	12.9	18.4	18.7
Annual working hours per employee		Duskin Co., Ltd. only	Hour	1,879	1,844	1,833	1,796	1,703

### Health and Safety

		Boundary	Unit	2016	2017	2018	2019	2020
Ratio of employees who receive regular health checkups		Duskin Co., Ltd. only	%	99.7	100	100	100	100
Ratio of employees who receive workups		Duskin Co., Ltd. only	%	19.5	35.2	48.6	48.6	56.1
Ratio of employees who maintain desirable weight		Duskin Co., Ltd. only	%	66.2	66.6	67	67.3	65.8
Smoking rate		Duskin Co., Ltd. only	%	29.5	26.1	28.1	23.9	25.6
Ratio of employees who engage in regular exercise		Duskin Co., Ltd. only	%	21.9	24.6	25.3	25.5	26.0
Work-related accidents	Fatality	Duskin Group	Cases	0	0	0	1	0
	At workplace	Duskin Group	Cases	170	194	160	179	169
	Cases that required 4 or more days of leave	Duskin Group	Cases	26	44	28	36	45
While commuting		Duskin Group	Cases	33	34	30	30	41
	Cases that required 4 or more days of leave	Duskin Group	Cases	12	14	12	13	12

### Local communities

		Boundary	Unit	2016	2017	2018	2019	2020
Community cleaning event hosting	Number of participants	Duskin Group	No.	32,428	4,236	22,295	20,385	200
	Amount of garbage collected	Duskin Group	kg	654.4	204.2	5,039	176.5	2.0
On-site cleaning lessons for children	Number of schools participated	Duskin Group	No.	500	676	716	670	—
	Number of children participated	Duskin Group	No.	45,348	55,964	61,390	54,407	—



# 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 2015			Medium-Term Management Policy 2018		
							2016	2017	2018	2019	2020	2021
Customer-level sales												
Customer-level sales	(Millions of yen)	424,322	414,401	411,494	407,225	401,561	394,850	384,547	382,104	376,994	380,425	359,582
Of which, the Direct Selling Group	(Millions of yen)	279,314	275,830	274,665	276,956	270,390	274,005	272,633	272,577	271,811	271,189	253,178
Of which, the Food Group	(Millions of yen)	125,061	119,479	115,484	106,426	105,631	95,549	86,058	81,148	76,741	79,714	80,148
Overseas and other businesses <sup>1</sup>	(Millions of yen)	19,945	19,091	21,344	23,842	25,539	25,295	25,855	28,378	28,440	29,521	26,255
For the fiscal year												
Sales	(Millions of yen)	177,320	171,118	168,163	167,745	167,987	165,203	161,880	161,031	158,699	159,102	153,770
Operating profit	(Millions of yen)	10,937	9,841	9,197	6,641	5,067	5,372	6,069	7,557	7,954	6,577	4,651
Ordinary profit	(Millions of yen)	12,613	11,609	11,027	8,322	7,083	6,707	7,554	8,978	10,011	7,929	6,633
Profit attributable to owners of parent	(Millions of yen)	5,248	4,583	6,092	4,448	3,441	2,983	4,318	5,324	5,984	5,591	2,821
Comprehensive income	(Millions of yen)	4,384	5,320	9,095	6,246	7,870	1,401	5,309	7,825	8,571	2,178	6,331
Depreciation	(Millions of yen)	6,172	6,225	7,083	6,953	7,068	6,704	6,878	6,216	6,415	6,938	7,378
Capital expenditures	(Millions of yen)	4,009	6,541	5,285	3,974	6,319	8,520	5,905	5,076	6,324	6,744	9,243
At fiscal-year-end												
Net assets	(Millions of yen)	148,565	149,604	152,811	151,903	155,196	143,648	142,108	147,786	149,884	142,031	145,836
Total assets	(Millions of yen)	198,876	197,316	202,375	202,778	198,475	190,322	190,116	196,058	194,223	185,158	188,399
Interest-bearing debt	(Millions of yen)	362	245	189	243	50	20	88	173	—	—	—
Cash flows												
Cash flows from operating activities	(Millions of yen)	14,032	14,057	16,269	12,086	6,251	11,199	15,803	13,111	13,606	8,850	10,103
Cash flows from investing activities	(Millions of yen)	-12,700	-8,686	-6,864	-14,004	5,515	- 2,826	-3,565	-7,909	-12,555	3,137	-5,019
Cash flows from financing activities	(Millions of yen)	- 9,749	-4,355	-5,980	- 6,553	-4,514	-12,952	-6,800	-2,232	- 6,671	-10,022	-2,563
Cash and cash equivalents at end of year	(Millions of yen)	23,714	24,724	28,171	19,775	27,118	22,503	27,902	30,877	25,237	27,167	29,674
Per-share data												
Net assets per share	(Yen)	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	2,948.85
Net income per share	(Yen)	79.39	71.07	95.15	71.13	56.19	52.18	78.95	99.63	112.38	109.95	57.19
Dividend per share	(Yen)	40.00	40.00	40.00	60.00	40.00	40.00	40.00	40.00	50.00	56.00	40.00
Price per share at year end	(Yen)	1,542	1,653	1,878	1,979	2,080	2,022	2,428	2,697	2,635	2,841	2,785
Financial indicators												
Equity ratio	(%)	74.3	75.4	75.1	74.3	77.6	75.0	74.5	75.2	77.0	76.6	77.2
Return of equity	(%)	3.6	3.1	4.1	2.9	2.3	2.0	3.0	3.7	4.0	3.8	2.0
Return of assets	(%)	2.6	2.3	3.1	2.2	1.7	1.5	2.3	2.8	3.1	3.0	1.5
Price-earnings ratio		19.42	23.26	19.74	27.82	37.02	38.75	30.75	27.07	23.45	25.84	48.70
Dividend payout ratio	(%)	50.4	56.3	42.0	84.4	71.2	76.7	50.7	40.1	44.5	50.9	69.9
Stock information <sup>2</sup>												
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	66,294	64,994	63,494	63,494	57,494	55,194	55,194	52,694	50,994	50,994
Treasury shares at end of year	(1,000 shares)	2,092	2,009	1,913	1,915	2,947	1,948	1,749	1,750	679	1,659	1,650
Repurchase of company stock	(1,000 shares)	934	1,016	1,203	1,500	1,030	5,000	2,100	—	1,429	2,679	—
Repurchase of company stock (amount)	(Millions of yen)	1,468	1,612	2,015	2,835	—	10,503	4,415	—	3,750	7,777	—
Shareholders												
Individuals	(%)	41.5	41.3	41.5	39.8	40.0	41.1	40.2	38.7	40.2	39.4	40.2
Financial institutions	(%)	17.2	18.4	16.9	15.9	16.7	18.1	19.6	20.6	22.7	23.3	22.9
Domestic corporations	(%)	28.6	28.5	28.5	28.2	26.0	23.9	23.4	22.1	21.0	21.2	20.1
Foreign corporations	(%)	9.3	8.7	10.2	13.0	12.6	13.5	13.7	15.4	14.7	12.8	13.5
Treasury shares	(%)	3.1	3.0	2.9	3.0	4.6	3.4	3.2	3.2	1.3	3.3	3.2
Number of employees												
Full-time employees	(Persons)	3,458	3,422	3,512	3,552	3,487	3,538	3,528	3,773	3,813	3,802	3,819
Duskin Co., Ltd.	(Persons)	2,033	2,039	1,952	1,936	1,928	1,960	1,954	1,991	2,020	1,974	1,988
Part-time employees <sup>3</sup>	(Persons)	5,931	5,890	5,751	5,867	6,041	6,128	6,219	6,029	6,086	6,080	5,925
Duskin Co., Ltd.	(Persons)	2,158	2,079	1,715	1,541	1,478	1,588	1,607	1,488	1,438	1,121	1,057
Number of locations												
Total		9,217	9,304	9,912	10,087	10,425	11,067	11,610	12,359	13,675	14,688	15,353
Direct Selling Group		5,577	5,537	5,949	6,031	6,135	6,218	6,200	6,245	6,332	6,365	6,368
Food Group		1,435	1,450	1,422	1,398	1,354	1,314	1,195	1,119	1,037	1,003	985
Overseas and other businesses <sup>1</sup>		2,205	2,317	2,541	2,658	2,936	3,535	4,215	4,995	6,306	7,320	8,000

<sup>1</sup>1 As of December 31 of the previous year  
<sup>2</sup>2 Numbers of shares less than one thousand are rounded down.  
<sup>3</sup>3 Annual average number of employees



# Financial Information

Note: Amounts less than the stated units are dropped.

## Financial Overview

### 1. Analysis of Business Performance

#### Overview

The economy during the fiscal year ended March 31, 2021 (FY2020) declined dramatically due to the expanding coronavirus pandemic, giving rise to extraordinarily challenging circumstances. During this period, the number of new infections had declined but rebounded several times and again began to increase at the end of the fiscal year. There has yet to be a definitive projection on the timing of the end of the coronavirus pandemic. The economy had begun to move gradually, but the uncertainty we now face has intensified about the future. Amidst this environment, as we entered the final fiscal year of the Medium-Term Management Policy 2018, we faced a dramatically changing business environment caused by the coronavirus pandemic. In order to fulfill our most important responsibility, which is to maintain our franchise chain in good standing, we have given priority to the safety of our customers, franchisees and employees as we implement sales recovery measures, and at the same time established and carried out strategies to take changes in the business environment as growth opportunities.

Direct Selling Group, committed to helping our customers to fine-tune the rhythm of their daily lives, carried out research and development on the virus-reducing properties of materials, adsorbents and disinfectants used in existing rental products, in response to the increasing need for cleaning and hygiene services. The group focused on publicizing and selling products that have been recognized and certified by third-party institutions. The group also developed and provided new products and services, such as hygiene management products, a hygiene service package combining cleaning and technical services, and hygiene management for event venues. Through these measures, we are remaking our brand image into a company forging healthy environments in a broader sense, under the banner of “Creating Healthy Environments” for both consumers and businesses. We have also implemented advertising initiatives to boost recognition amongst consumers.

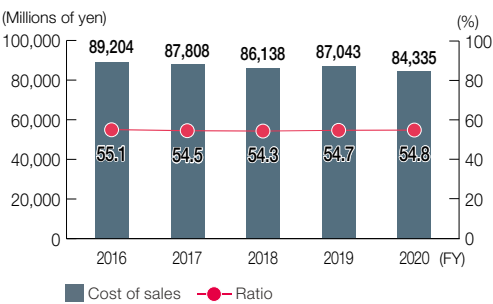
The Food Group also has carried out a series of initiatives, mainly to address the coronavirus pandemic. At Mister Donut, the Group’s primary business which has celebrated its 50th anniversary, we focused on takeout demand with MISDO Meets and other services amidst declining dine-in demand. We have also hired actor and singer Masaki Suda to be our 50th anniversary promotional ambassador. In order to ensure customer safety, we installed doors to all of our showcases at our cafeteria-style shops where customers pick up donuts from open showcases.

We also took steps to enhance our corporate governance. These steps included a review of the Operating Officer System to clarify the responsibilities of our Operating Officers and the launch of the successor development plan prepared during the previous year to train management-level successors.

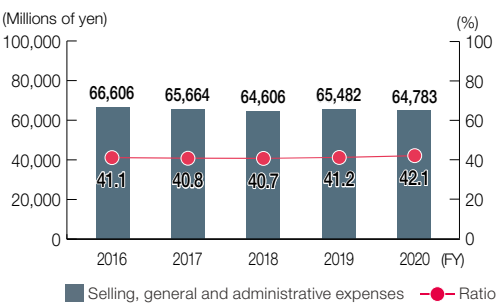
#### Sales and operating profit

Consolidated sales for FY2020 fell on the previous year by 5,332 million yen (3.4%) to 153,770 million yen. This is mainly attributable to declined sales for the Direct Selling Group due to the impact of the coronavirus pandemic while the Food Group saw increased sales thanks to higher sales at Mister Donut. Consolidated operating profit fell by 1,926 million yen (29.3%) to 4,651 million yen. In addition to declines in gross profit due to dropping revenues, profits fell due to installation costs of showcase doors at the cafeteria-type locations at Mister Donut totaling of 1,137 million yen as well as advertising costs used to promote the tagline “Creating Healthy Environments” implemented in the fourth quarter.

#### Cost of sales and ratio



#### Selling, general and administrative expenses and ratio



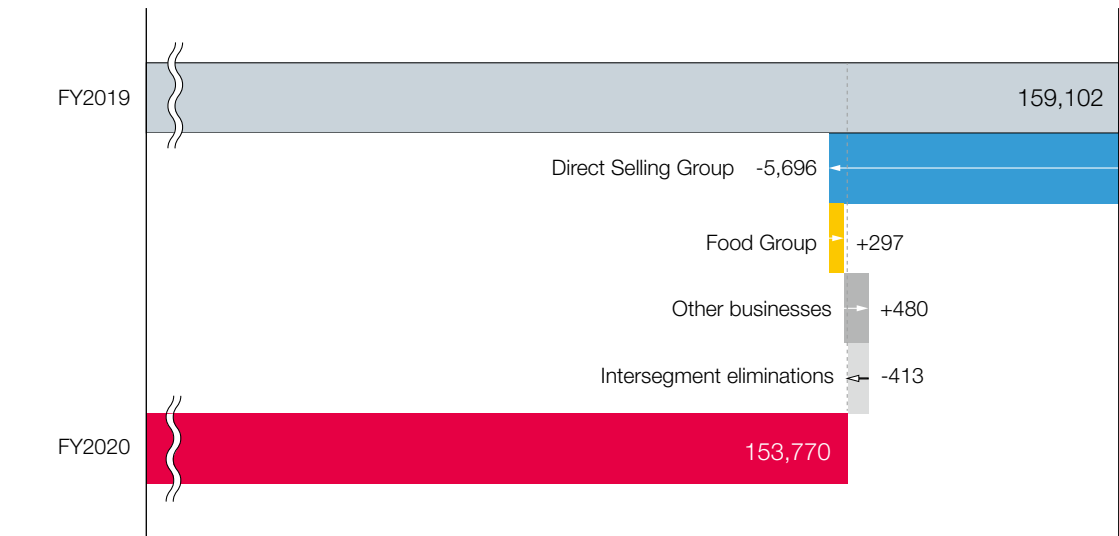
#### Ordinary profit (non-operating income and expenses)

Ordinary profit fell on the previous year by 1,295 million yen (16.3%) to 6,633 million yen, though non-operating income improved due primarily to increased sales at NAC Co., Ltd., an equity method affiliate.

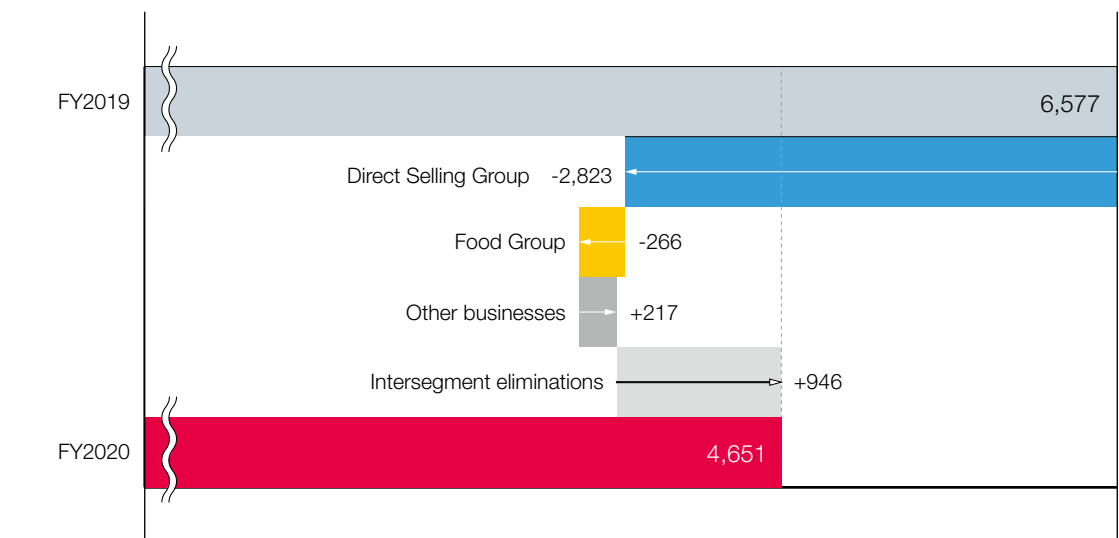
#### Profit attributable to owners of parent

Profit attributable to owners of parent fell 2,769 million yen (49.5%) on the previous year to 2,821 million yen. This was due primarily to declines on a gain on sales of investment securities as well as relief money of 1,658 million yen allotted mainly to franchisees in response to the significant impact of the coronavirus pandemic.

#### Sales (Millions of yen)



#### Operating profit (Millions of yen)



## 2. Analysis of Financial Position

### ■ Assets

At the end of FY2020, total assets were 188,399 million yen, a 3,240 million yen increase from a year earlier. Current assets amounted to 69,239 million yen, a 7,044 million yen increase from the end of the previous fiscal year. This is mainly attributable to increases of 9,419 million yen in securities and 1,925 million yen in other current assets, while cash and deposits decreased by 5,297 million yen. Non-current assets at the end of the fiscal year stood at 119,159 million yen, 3,803 million yen less than a year earlier. This is mainly due to a decrease of 1,890 million yen in deferred tax assets and a decrease of 1,286 million yen in intangible assets.

### ■ Liabilities and net assets

Current liabilities at the end of FY2020 amounted to 34,587 million yen, 195 million yen more than a year earlier. This is mainly due to an increase of 1,099 million yen in accounts payable-other, while income taxes payable decreased by 1,200 million yen.

Non-current liabilities totaled 7,974 million yen at the end of the fiscal year, 760 million yen less compared with the previous fiscal year-end. This is mainly due to a 749 million yen decrease in net defined benefit liability.

Net assets at fiscal year-end were 145,836 million yen, 3,805 million yen more than a year earlier, mainly due to an increase of 2,806 million yen in valuation difference on available-for-sale securities.

#### Consolidated balance sheet (Summary) (Millions of yen)

	FY2019	FY2020	Increase/decrease
Current assets	62,195	69,239	7,044
Non-current assets	122,963	119,159	-3,803
Property, plant and equipment	50,360	50,152	-208
Intangible assets	10,922	9,635	-1,286
Investments and other assets	61,680	59,372	-2,308
Total assets	185,158	188,399	3,240

	FY2019	FY2020	Increase/decrease
Current liabilities	34,392	34,587	195
Non-current liabilities	8,735	7,974	-760
Total liabilities	43,127	42,562	-564
Shareholders' equity	134,482	134,768	285
Accumulated other comprehensive income	7,256	10,740	3,483
Share acquisition rights	50	60	9
Non-controlling interests	241	268	26
Total net assets	142,031	145,836	3,805
Total liabilities and net assets	185,158	188,399	3,240

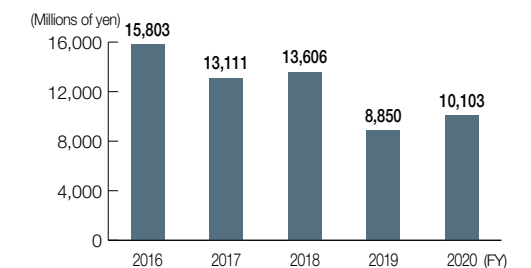
## 3. Cash Flow

Cash and cash equivalents (cash) at the end of FY2020 amounted to 29,674 million yen, an increase of 2,506 million yen from 27,167 million yen at the end of the previous fiscal year.

### ■ Cash flow from operating activities

Net cash provided by operating activities increased from 8,850 million yen in the previous fiscal year to 10,103 million yen. Major components of cash flows were profit before income taxes of 4,315 million yen, depreciation of 7,486 million yen, an increase of 1,850 million yen in accounts payable-other, 2,137 million yen in income taxes paid, and an increase of 1,740 million yen in accounts receivable-other.

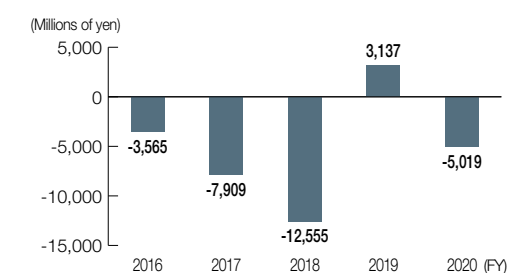
#### Cash flow from operating activities



### ■ Cash flow from investing activities

Net cash used in investing activities totaled 5,019 million yen compared with 3,137 million yen provided in the previous fiscal year. There were expenditures of 19,029 million yen for the purchase of securities and investment securities, 5,031 million yen for the purchase of property, plant and equipment and 2,324 million yen for the purchase of intangible assets, and proceeds of 22,004 million yen from sales of securities and investment securities.

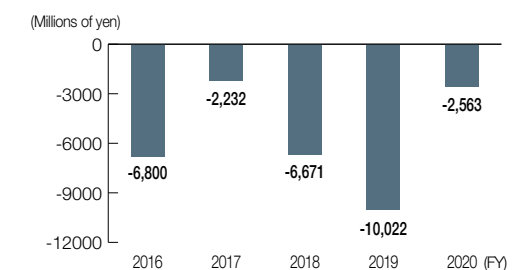
#### Cash flow from investing activities



### ■ Cash flow from financing activities

Net cash used in financing activities decreased from 10,022 million yen in the previous fiscal year to 2,563 million yen. The payment of 2,563 million yen for cash dividends was the primary use of cash.

#### Cash flow from financing activities



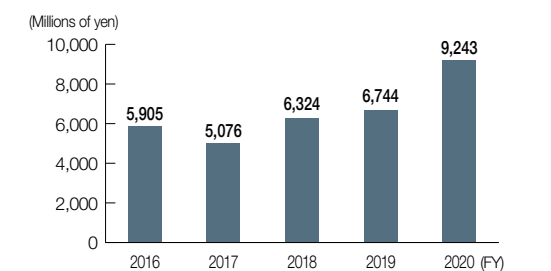
## 4. Capital Investments

Capital investments during FY2020 totaled 9,243 million yen, the major components of which are as follows.

#### Major capital investments (Millions of yen)

Segment	Investments	Amount
Direct Selling Group	Reconstruction of sales-office operation systems	944
	Plant renovation; expansion and renewal of plant facilities	582
	Reconstruction of the money-collection agency system	272
Food Group	Remodeling to and new opening of Mister Donut new-concept shops	798
	Construction of an online ordering system for Mister Donut	295
Other	Lease assets at Duskin Kyoeki Co., Ltd.	3,165

#### Capital investments



Note: The figure for FY2020 includes assets for lease in the leasing business.

# Third-Party Guarantee

To bolster the trustworthiness and accuracy of the information presented in Corporate Report 2021, Duskin receives a guarantee of accuracy from an independent third-party organization regarding primary non-financial indicators presented in this report.

Independent third-party verified items

- Number of employees (Duskin Group)
- Number and ratio of females in managerial positions (Duskin Co., Ltd.)
- People with disabilities employed (Duskin Group in Japan)
- Energy usage (Duskin Group, franchisees and franchised plants)
- CO<sub>2</sub> emission (Scopes 1, 2 and 3)
- Water intake (Production and logistic facilities)



On the publication of Corporate Report 2021

Duskin has been publishing its Corporate Report since FY2016. The report brings together in a single publication our medium- and long-term value creation vision and growth strategy, information about our ESG and other initiatives and financial and non-financial information.

In the 2021 Report, we make an effort to deepen understanding of our value creation story and our future initiatives to address our CSV materiality and business challenges. Along with messages from our Outside Directors as in the last year's version, the 2021 Report also features a message from our CFO, the officer advancing our growth investment, and a conversation among three employees about their career vision for the years ahead.

Preparation of the 2021 Report was led by the IR Section of Corporate Planning with the assistance of a number of relevant company departments within the Duskin Group. As head of the Corporate Planning Group responsible for editing the report, I hereby state that the report was prepared properly and that its contents are accurate.

The Corporate Report is a valuable tool for deepening the dialogue among shareholders, investors and other stakeholders, and we intend to continue improving the content and transparency. I look forward to hearing the frank opinions and feedback from all those who read this Report.

September 2021

Hiroyuki Okubo

Director and Operating Officer  
Corporate Planning Group

# Glossary

B

Business Development Manager and Area Manager

These positions are Duskin employees who support 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

The 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 — 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 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 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 franchisor and franchisees work together, encourage one another and grow together.

Franchisor and franchisee

Duskin headquarters (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 hygiene management. Our specially trained Hygiene Masters provide customers with comprehensive solutions for sanitation.

M

Mister Donut College

This is a training facility established in 1971 right after the first Mister Donut shop opened, on the site of one of Duskin's first buildings. This facility is fully equipped and staffed for trainees to acquire their licenses.

Mister Donut Founding Day

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

P

Prayerful Management

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

Production and logistic facilities and franchised plants

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 61,000 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.

U

Unifying Business and Morals

"Morals" refers to the compassion and kindness we have toward others that remains constant even as times change. "Business" refers to the products and services that we change to stay in step with changing times. A unity of business and morals and the consistent pursuit of growth underlies every action that Duskin undertakes.



# Corporate Information

## Corporate information (as of March 31, 2021)

Name	Duskin Co., Ltd.
Head Office	1-33 Toyotsu-cho, Suita-shi, Osaka 564-0051
Representative	Teruji Yamamura, President and CEO
Date established	February 4, 1963
Capital stock	11.3 billion yen
Number of employees	1,988 (Duskin Co., Ltd. only) 3,819 (Consolidated)

## Subsidiaries and affiliates (as of June 30, 2021)

● Direct Selling Group    ● Food Group    ● Other businesses

### Consolidated subsidiaries

#### (Japan)

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

#### (Overseas)

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

### Equity method affiliates

#### (Japan)

- NAC Co., Ltd.

#### (Overseas)

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

## History

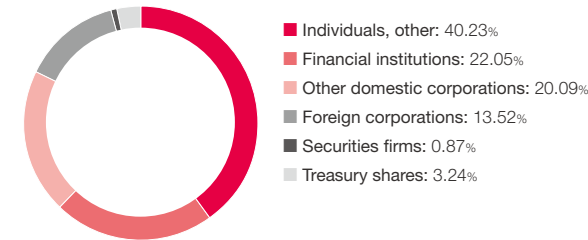
1963	Feb.	Sani-Clean Company established.
	Nov.	Suita Laundry Plant opens as our first plant, manufacturing dust control products.
1964	June	Company name changed to Duskin Co., Ltd.
	Oct.	Home Duskin products launched throughout Japan.
1967	Sept.	Mop sewing plant (now operated by Wakura Duskin Co., Ltd.) opens.
1969	Aug.	Full membership in International Franchise Association (IFA) granted, in a first for a Japanese company.
1971	Jan.	ServiceMaster business launched.
	Apr.	Mister Donut business launched. First shop opens in Minoh, Osaka.
	July	Business renting industrial wiper cloth reutilizing scrapped Home Duskin cloths launched.
1976	Nov.	Cosmetics sales business (now called Health & Beauty) launched through a tie-up with AGA Co., Ltd.
1977	Apr.	Pest control business (now called Terminix) launched.
1978	Jan.	Mat manufacturing plant (now operated by Ono Duskin Co., Ltd.) opens.
	Oct.	Comprehensive rental business renting daily commodities (now called Rent-All) launched.
	Dec.	Uniform rental business (now called Uniform Service) launched.
1982	July	Management service of medical institutions (now operated by Duskin Healthcare Co., Ltd.) launched.
1989	July	Merry Maids business launched.
1990	Sept.	Corporate Headquarters, Duskin Pia, completed in Esaka, Osaka.
	Sept.	Ever Fresh Hakodate Co., Ltd. established.
1993	Oct.	New franchise system, Duskin Serve 100 launched.
1994	Dec.	Dust control business launched in Taiwan.
1999	Feb.	Katsu & Katsu business launched.
	Apr.	Catering business (now called Drink Service) launched.
	Nov.	TruGreen business (now rebranded as Total Green) launched.
2000	June	Home Instead Senior Care business (now rebranded as Duskin Life Care) launched.
2003	Apr.	Quality Assurance Committee (now called Sustainability Committee) initiated to establish quality assurance structure within the company.
	Apr.	Compliance Promotion Committee (now called Compliance Committee) initiated to build compliance structure within the company.
2004	July	Health Rent business launched.
	Sept.	Comprehensive capital and business alliance established with Mitsui & Co., Ltd.
	Oct.	Mister Donut business launched in Taiwan.
2006	Nov.	Dust control business launched in Shanghai, China.
	Dec.	Duskin stocks listed on the first section of the Tokyo Stock Exchange and the Osaka Securities Exchange. Note: The cash equity markets of the Tokyo Stock Exchange and the Osaka Securities Exchange were integrated on July 16, 2013.
2008	Feb.	Capital and business alliance with MOS Food Services Inc. established.
2010	Oct.	Azare Products Co., Ltd. and Kyowa Cosmetics Co., Ltd. acquired as wholly owned subsidiaries.
2012	May	Hachiya Dairy Products Co., Ltd. acquired as a wholly owned subsidiary.
2013	Nov.	Bakery Factory business launched.
2014	Mar.	Chugai Sangyo Co., Ltd. acquired as a wholly owned subsidiary.
2015	May	First Mister Donut shop opens in Jakarta, Indonesia.
	Oct.	Pie Face business launched.
	Oct.	Duskin Museum opens.
2016	Apr.	Home Repair business launched.
2017	Feb.	Big Apple Worldwide Holdings Sdn. Bhd. acquired as a subsidiary.
2018	Sept.	Capital and business alliance with NAC Co., Ltd. established.
2019	Jan.	Katsu & Katsu Co., Ltd. established.

# Stock Information

## Stock summary (as of March 31, 2021)

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	40,563
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Independent auditor	Ernst & Young ShinNihon LLC

### Types of Shareholders



## Third-party ESG evaluations

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.

### FTSE Russell: FTSE Blossom Japan Index

The FTSE Blossom Japan Index is a share price index calculated and maintained by FTSE Russel of the U.K. As a Japanese corporation with exceptional business performance from an ESG perspective, Duskin has been made a component of the index.



### 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 fourth 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.

2021 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

### 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.

2021 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

### 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.



### Major Shareholders (Top 10 shareholders)

Name	No. of shares owned (1,000 shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,521	7.13
Nippon Corporation	1,800	3.64
Custody Bank of Japan, Ltd. (Trust Account)	1,718	3.48
Duskin Employee* Stock Ownership Plan	1,602	3.24
Hirokata Ogasawara	1,415	2.86
Duskin Franchisee Stock Ownership Plan	1,046	2.11
Custody Bank of Japan, Ltd. (Trust Account 7)	1,032	2.09
Sumitomo Mitsui Banking Corporation	840	1.70
MOS Food Services, Inc.	760	1.54
Sumitomo Realty & Development Co., Ltd.	749	1.51

Note: Treasury shares are not included in the ownership ratio.  
\* In-house name (see P.7.7 Glossary)

### Sompo Asset Management: Sompo Sustainability Index

Duskin has been selected as one of the 300 members of the Sompo Sustainability Index, an investment index created by Sompo Asset Management Co., Ltd. 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.

