

DUSKIN REPORT 2016



Duskin’s Management Philosophy, remains unchanged to:

"Sow the Seeds of Joy" to people and communities

Duskin has operated its businesses to "Sow the Seeds of Joy" to make people happy, rather than simply seeking profit. We strive to continuously improve our corporate value by sharing joy with people in their communities and contributing to their lifestyles being rich in both spirit and materials.

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.

Editorial Policy

The Duskin Report 2016 is a comprehensive report on both financial information such as Duskin’s management strategies and business performance for FY2015, and non-financial information such as CSR activities. This report is compiled under the four themes in CSR activities, Safety, Reliability and Quality, Human Resources, Environment and Local & Social Contribution set forth in FY2015. In addition to these themes, we have identified important aspects from the stakeholders’ perspective, and included the initiatives in our business activities that reflect these aspects under "Topics."

We will continue our efforts to maintain good communication with our stakeholders, and provide, in a transparent way, enhanced information disclosure as appropriate.

Reference guidelines

Environmental Reporting Guidelines 2012 by the Ministry of the Environment
GRI "Sustainability Reporting Guidelines Version 4"
IIRC "The International Integrated Reporting Framework"

Period covered

Period covered for this report is from April 2015 through March 2016. However, reports before FY2014 and some activities from FY2016 are also included.

Scope of service

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

Time of issue

August 2016 (Next issue: August 2017)

DUSKIN REPORT 2016

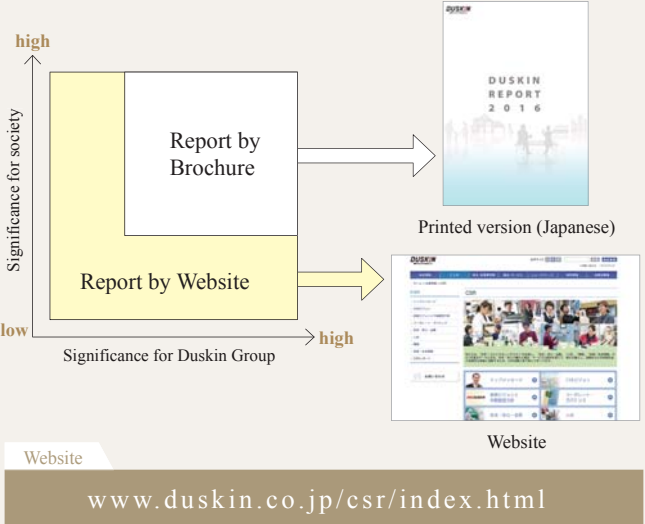
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CSR Report Format (Reporting media)

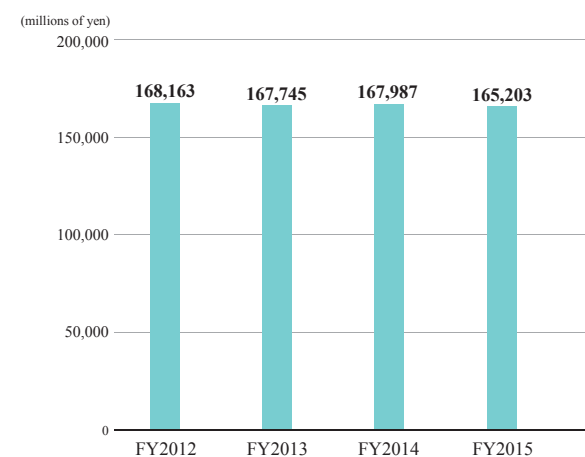
Our CSR Report is issued in both English and Japanese and is available on our website. A printed version is issued in Japanese. Our website versions in PDF format provide detailed information and data with a focus on the initiatives on which the greatest emphasis is placed by Duskin Group and society. We strive for superior information disclosure for a wider range of stakeholders.



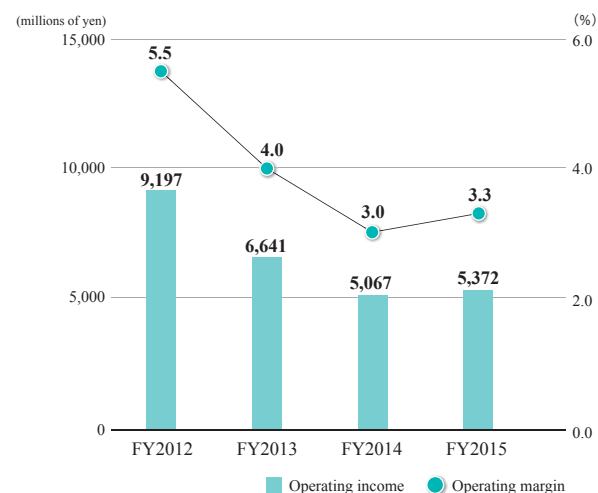
Financial Highlights

Duskin Co., Ltd. (consolidated)

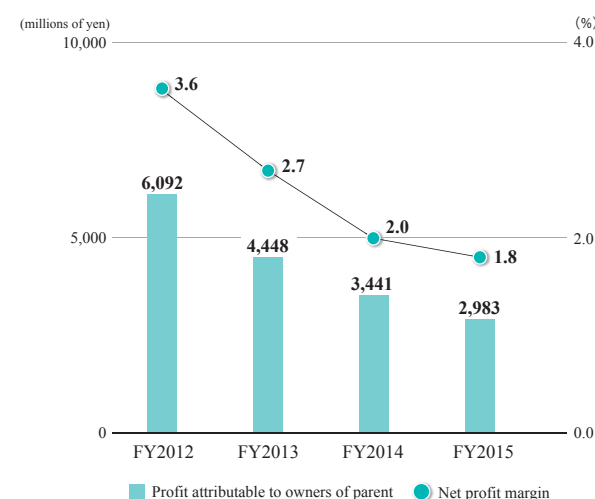
Sales



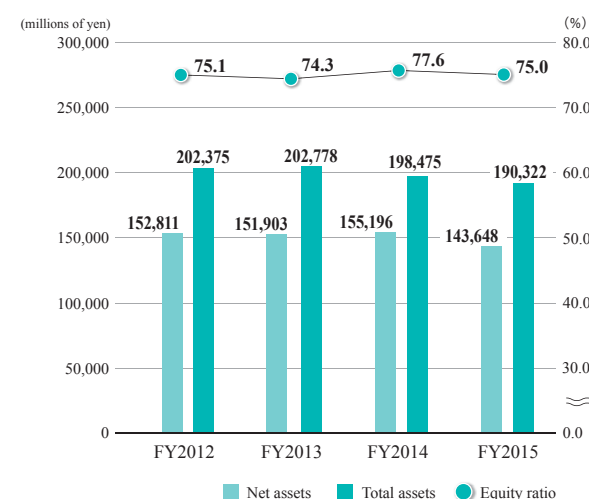
Operating income (operating margin)



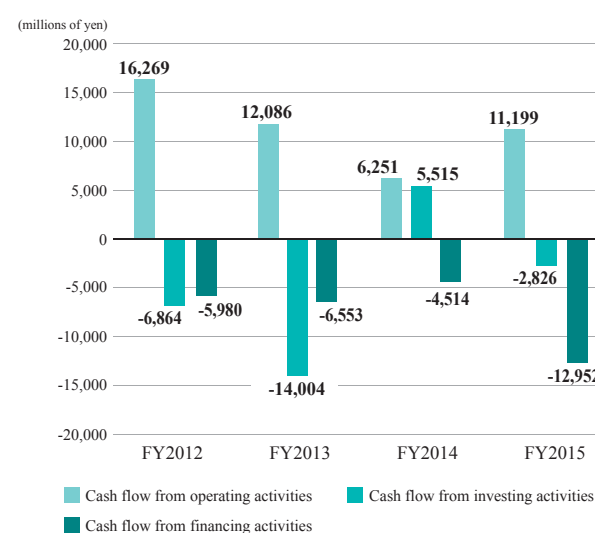
Profit attributable to owners of parent (net profit margin)



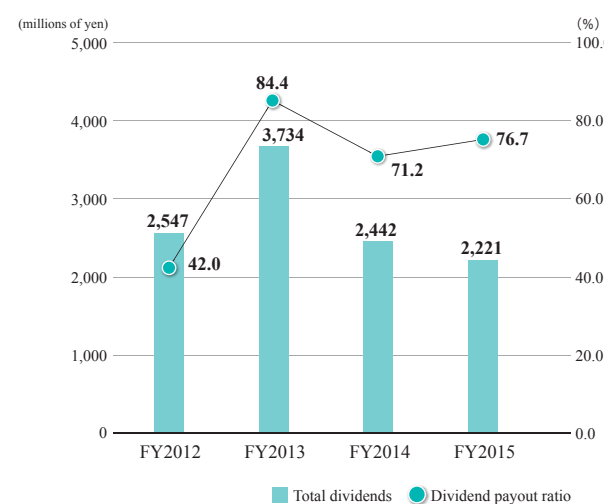
Net assets / Total assets / Equity ratio



Cash flows



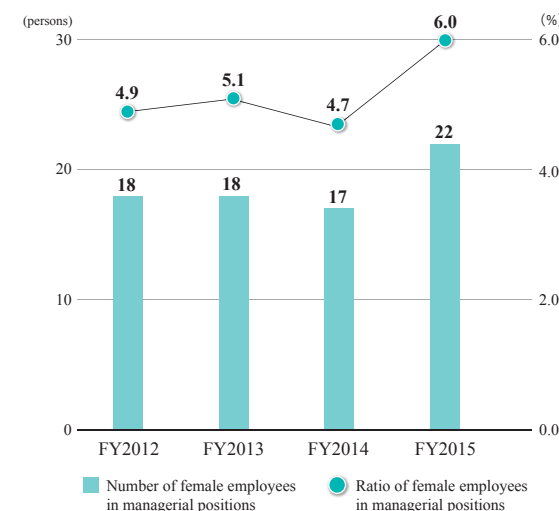
Total dividends / Dividend payout ratio



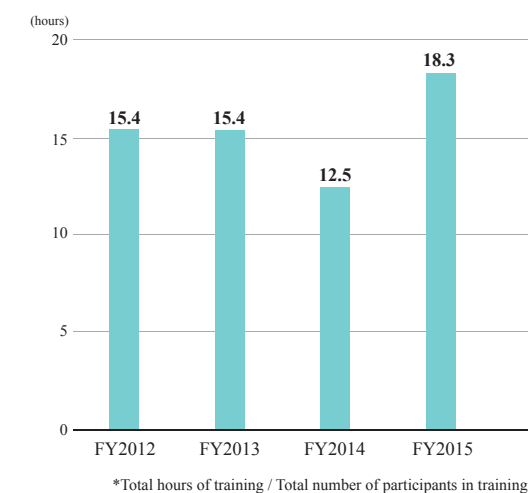
*Figures for FY2013 include the 50th anniversary commemorative dividend.

Non-financial Highlights

Number and ratio of female employees in managerial positions (Duskin, non-consolidated)

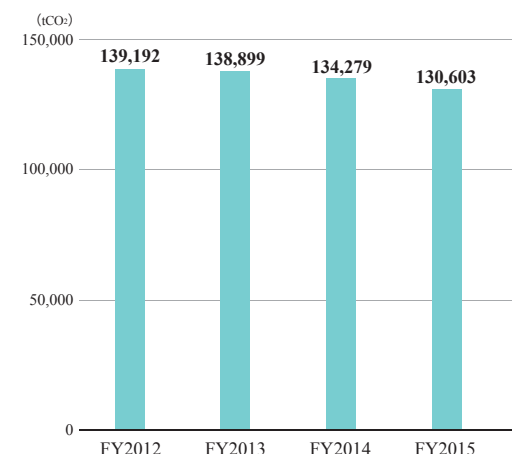


Annual training hours per employee (Duskin, non-consolidated)



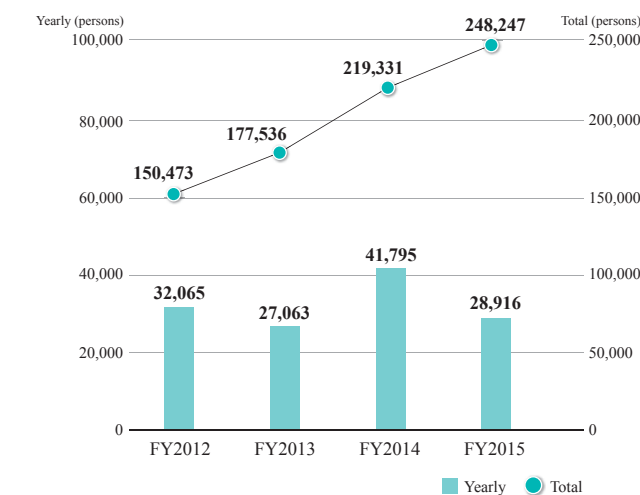
*Total hours of training / Total number of participants in training

GHG (greenhouse gas) emissions

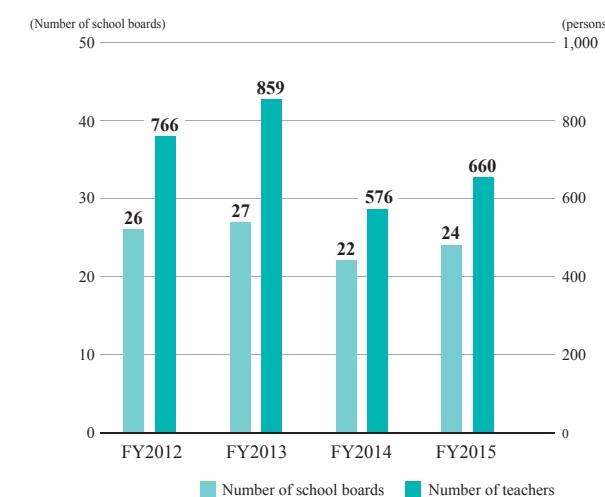


*Calculation scope
 • Clean & Care Group, Corporate Head Office: company-owned and affiliated locations
 • Food Group: company-owned, affiliated and franchised shops and locations
 • Production & Logistics: company-owned, affiliated and franchised comprehensive laundry plants and distribution centers

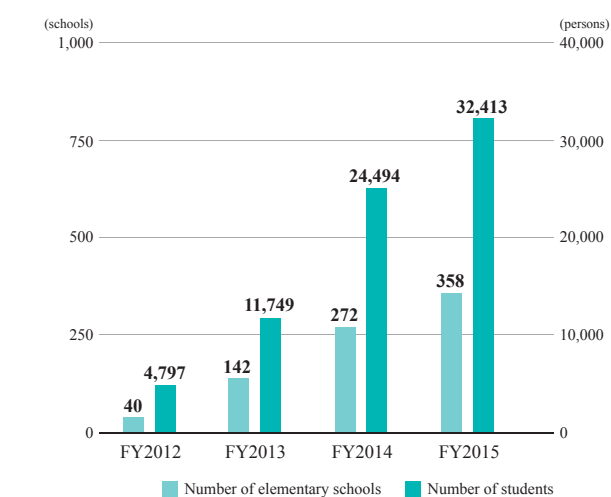
Number of participants in Clean Up My Town



School education support activity School boards and teachers participating in "School Cleaning Seminars for Teachers"



School education support activity Elementary schools and students participating in "Sow the Seeds of Cleanliness" on-site classroom



Toward "ONE DUSKIN," we have taken a new step forward in "Sowing the Seeds of Joy"

Since its foundation, Duskin Group has operated its businesses to "Sow the Seeds of Joy" to people, based on the Duskin Management Philosophy "Prayerful Management."

FY2015 was a significant year, marking the beginning of the first phase of "ONE DUSKIN," our newly established nine-year long-term strategy. Phase I, upholding Commitment & Action as the main theme along with the basic policies of "Develop Business Model," "New Growth," "Structure Reform," and "Enhancement of Corporate Governance," focuses on getting our business performance back on a growth track. During the first year of this phase, we launched new initiatives and verified their effectiveness.

In FY2016, the second year of the phase, we will deploy these initiatives throughout the country.

The goal in the final phase of the long-term strategy is to become "ONE Duskin," capable of responding to the diverse needs of our customers, with all franchisees being indispensable to local communities. With our initiatives toward becoming the world's most considerate service provider, we strive to continuously improve our corporate value by sharing joy with our communities and contributing to ensuring their lifestyles are rich in both spirit and materials.

山村輝治

Teruji Yamamura
President & CEO
Duskin Co., Ltd.

Business Overview

FY2015 marked an operating income growth in increasingly competitive business conditions.

In FY2015 (April 1, 2015 - March 31, 2016), Japan's economy was on a recovery track due to an improvement in the employment and income situation. However, the recovery was not robust due to growing uncertainties about overseas economies, including concerns about a slowdown in the Chinese economy and stagnant personal spending during the latter half of the year. With increasingly diversifying consumer needs, the introduction of a greater variety of cleaning tools, and competition with convenience stores and other businesses entering the sweet snack market, our business environment became more challenging.

In our Clean & Care Group, in addition to an increase in sales of dust control products, the core products of the segment, Rent-All, technical services and other businesses posted higher sales, resulting in sales of 110,191 million yen, up 1.1% from the previous year. In the Food Group, sales decreased by 8.9% to 44,007 million yen due to Mister Donut's weak performance. Overall, with higher income in the Clean & Care segment, consolidated operating income was 5,372 million yen, a 6.0% increase from the previous year. Profit attributable to owners of parent was 2,983 million yen, a 13.3% decrease from the previous year, mainly due to larger extraordinary loss due to an increase in noncurrent asset impairment losses and higher income taxes adjustment.

Various initiatives launched to further enhance our strengths

In the Clean & Care Group, we are developing Hygiene Masters, professionals who comprehensively support sanitary maintenance at commercial establishments. Making visible the unseen dirt through wipe tests and other measures, Hygiene Masters propose and provide sanitary management service based on scientific data. New systems to directly connect customers to our Head Office, such as our membership website DDuet, and the Return by Post Service, have also been steadily expanding. In April 2016, we launched our initiative to enhance the service capabilities of our sales representatives who regularly visit customers by equipping them with mobile devices. This enables our sales representatives to efficiently provide information on products and services and better serve our customers to function as their "Concierge."

In the Food Group, we developed a new type of store featuring a glass-walled kitchen to demonstrate to customers that the donuts are made on site, the biggest strength of Mister Donut. For future expansion, we have completed test marketing to verify the positive effects of this shop concept.

We will continue to develop new concepts, products and services that only Duskin can offer, by combining the "kindness of people," our key strength, with efficient techniques.

► Results for FY2015 and forecasts for FY2016 (consolidated)

	Sales	Operating income	Ordinary income	Profit attributable to owners of parent
FY2014 results	167,987	5,067	7,083	3,441
FY2015 results	165,203	5,372	6,707	2,983
FY2016 forecasts	166,500	4,400	5,500	3,100
Increase/decrease from previous year	+1,296	-972	-1,207	+116
Increase/decrease from previous year (%)	+0.8	-18.1	-18.0	+3.9

〈Long-term strategy〉

ONE DUSKIN

We aim to unite all Duskin businesses so as to serve our customers in a more effective and hospitable manner.

ONLY ONE

One and only franchise system where franchisor and franchisees share our Management Philosophy

Aim to be a unique group of companies that contribute to creating communities where people are connected, and live happily and safely.

NUMBER ONE

The most trusted franchise office in the community

To be the most reliable service provider, we proactively anticipate customers' needs and provide solutions.

ALL FOR ONE

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

The Duskin Group will make an all-out effort to provide the best services for our customers.

We will promote our 9-year long-term strategy ONE DUSKIN in three phases.



Basic policies

Develop Business Model

Develop system, through which Duskin and its franchisees can share and utilize customer information.

New Growth

While focusing our efforts on new business development, we continue to expand our Clean & Care and Mister Donut businesses in overseas markets.

Structure Reform

Review the costs of production & logistics, distribution, procurement and information system so as to be able to improve profitability.

Enhancement of Corporate Governance

In addition to our aim of implementing corporate governance that helps enhance fairness and transparency of management, we also regard it as a part of our growth strategy.

Financial goals		FY2017	Compared to FY2015
	Consolidated sales	173.0 billion yen	+7.7 billion yen
	Consolidated operating income	6.0 billion yen	+0.6 billion yen

*The financial goals were revised on March 24, 2016.

Progress in the Medium-term Management Policy

Group-wide efforts to shape the foundation to achieve our ONE DUSKIN plan.

During FY2015, we devoted maximum efforts to strengthening ties between business segments. A representative initiative is the Life Care business, through which Duskin would be well-positioned to respond to various needs of senior customers with products and services geared for seniors. The Life Care Business's success is dependent on the collaborations among all our business segments. In Wako-shi, Saitama, we concluded a public-private partnership agreement to create opportunities to offer seniors solutions and assistance in their daily lives with products and services, including those of other companies.

Duskin has inherently been like a piece of cloth, with franchisees as the woof and the business units under the Head Office as the warp. The franchisees and Duskin Head Office are tightly bonded. Another analogy is of all groups being in the same boat. To achieve our ONE DUSKIN plan, we will further strengthen the bond between franchisees and the Head Office, between business segments, and among franchisees. This will improve the quality and efficiency of our services, enabling us to more appropriately respond to the needs of our customers.

Once we see success in the initiative for seniors through joint efforts of the existing businesses, we will similarly advance initiatives for customers in other sectors, in younger generations, taking a long generational view of providing the best products and services where and when needed.

Enhancement of corporate governance serves as the foundation for future growth, along with development of businesses and structural reform.

We also focus our efforts on enhancement of corporate governance, which is one of the basic policies. At present, we have a total of six outside directors; three Outside Directors and three Outside Audit & Supervisory Board Members, of which three are women. The three Outside Directors have abundant

experience and prominent expertise in different fields: product development, consumer affairs, and international business planning, and provide us with useful advice from their unique, respective perspectives. For Duskin, a company espousing the pursuit of the "Unison of Economy and Morals" as the basis of its business management, CSR and business management are integrated. We promote CSR activities in the four focused areas we have designated: safety, reliability & quality; human resources; environment; and local & social contribution. In addition to realizing sound and highly transparent management through the enhancement of corporate governance, we will further vitalize our CSR activities, with the aim of becoming a trustworthy and reliable company. This lays the foundation for further growth in the future.

Toward achieving "ONE DUSKIN" long-term vision

We will build a new Duskin to unite all our businesses.

Since becoming President and CEO, I have visited our plants, franchise locations and shops throughout Japan and recognized that views on several issues vary greatly among different business units. For customers, however, there is only one Duskin. My strong belief that the franchisees and Duskin Head Office should be united as one led to the formulation of the "ONE DUSKIN" long-term strategy.

The principles of ONLY ONE, referring to a one and only franchise system where franchisor and franchisees share our Management Philosophy, and NUMBER ONE, referring to the most trusted franchise office as the number one go-to place in the community, are the strengths of Duskin today, which we must continue to sustain, enhance and grow.

Now, to achieve ALL FOR ONE through the unity of all business units, it is essential to establish a system that enables each franchisee to cooperate with other franchise locations or Duskin Head Office through the sharing of information, thereby responding to the needs of businesses outside their own business field.

When we achieve this ONE DUSKIN plan, I believe we will be able to become "the world's most considerate service provider," with customers saying "Ask Duskin whenever we have a problem" or "Duskin will provide the solution."

Aiming to be a service provider needed by society, responding to the diverse needs of customers.

Our Corporate Vision declares Duskin as "the world's most considerate service provider." The world's most considerate service provider means, in our sense, a service provider whose customers say "I want you to come" or "I want to see you." By offering the most wholehearted service, a significant shift is generated during each customer-Duskin interaction; Duskin becomes the most preferred service provider.

In this sense, customer service staff of the Clean & Care businesses work as devoted attendants and order-takers of customers while the Head Office provides steady support by establishing a platform for a close network with both residential and commercial customers in their local communities.

In the Food Group, we will enhance our education programs to develop human resources capable of providing services tailored to each customer, services that go beyond the instructions in the service manuals. Achieving ONE DUSKIN means that all the franchisees have taken on fulfilling careers as the world's most considerate service providers, capable of responding to the needs of customers throughout their lifetime. We will continue "Sowing the Seeds of Joy" throughout this nine-year period, and in subsequent years.



Duskin Group will continue to "Sow the Seeds of Joy" with the aim of responding to the expectations of society.

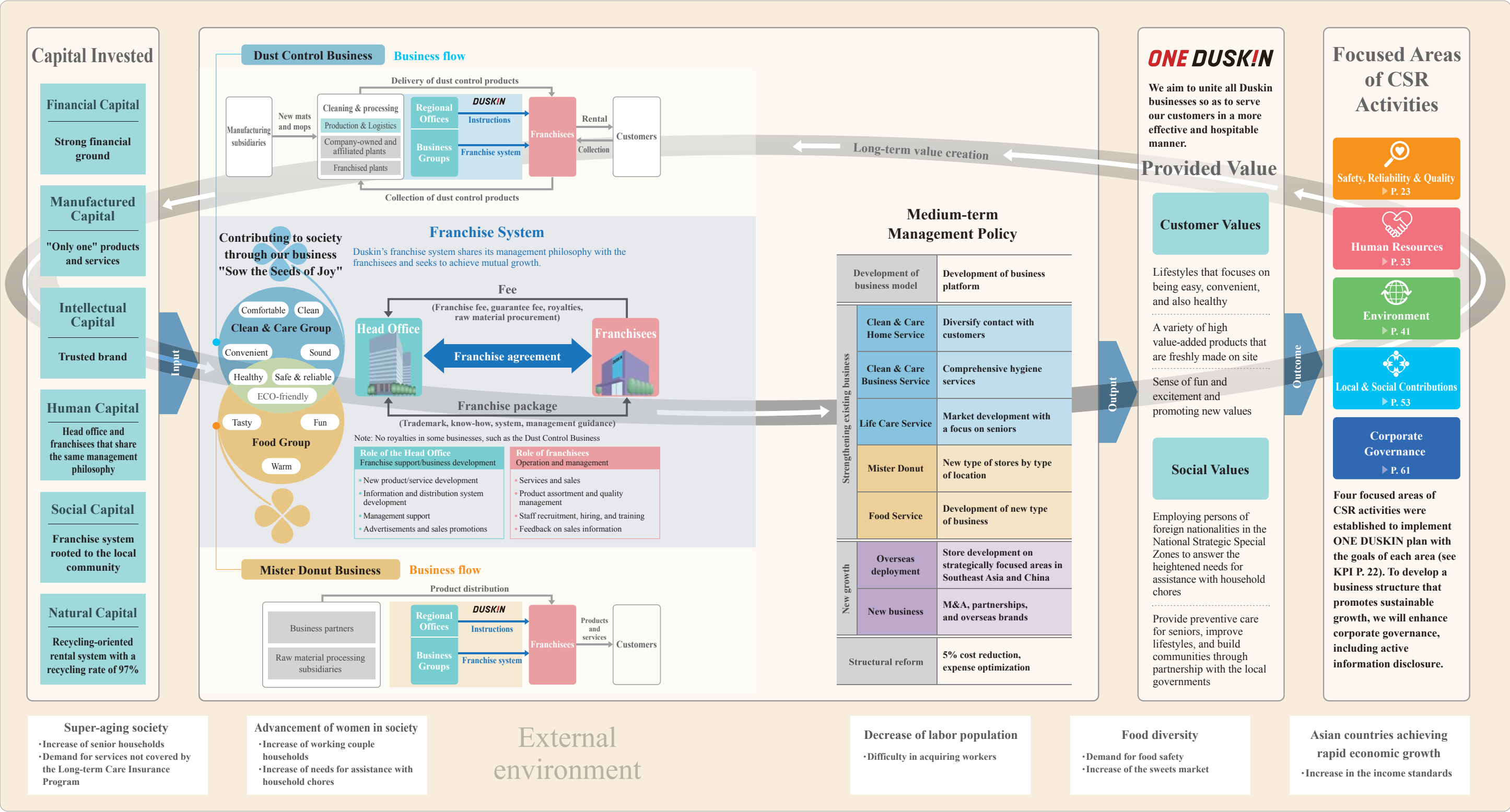
We believe that we exist because of society, and that business activities should be performed to give back to society. The value that we create through our Prayerful Management is to make effective use of the capital that has been given to our charge, and to give back to society by sowing as many Seeds of Joy as possible. We strive to "Sow the Seeds of Joy" and continue enhancing our corporate value through our business system based on franchises, with our entire business working together as one as we aim to be a ONE DUSKIN corporate group that offers products and services filled with hospitality.

►Value chain

Duskin's business model involves many stakeholders in all of its processes, starting from its research and development and going on to procurement, production, sales, services, and product recycling. We believe that it is important to share the same goals and objectives throughout the entire value chain and to make thorough efforts in quality management. Such efforts are indispensable towards enhancing our corporate value on a continuous basis.

	Research and development	Procurement	Production	Sales	Services	Recycling
	Develop recycling-oriented products, services, and frameworks	Procure safe and reliable raw materials and stabilize supply	Establish a system of production, cleaning, and processing at plants within Japan	Nationwide franchise sales networks	Deliver products and services through people	Repeated use, Shared use, Reduction, No disposal
◀Major initiatives▶						
Clean & Care Group	Focus on deep cultivation of basic technologies, improving quality, and environmentally friendly measures ►P.31	Strengthen cooperative efforts with suppliers by hosting annual Supplier Study Meetings ►P.32	Reduce the use of resources by cleaning and processing for repeated rental use of mops and mats ►P.23	Encourage the promotion of women into the position of area managers who give guidance to franchisees ►P.39	Provide tailored solutions for household chores and nursing care ►P.33 - 34	Make effective use of resources through the rental of nursing care products, welfare equipment ►P.47
Food Group	Implement low trans-fatty acid oils at all Mister Donut stores ►P.27	Check the safety of all food development processes through the Food Safety Council ►P.27	Inspect contracted raw material processing plants before beginning new transactions, during production, and at regular audits ►P.27	Shop managers study the corporate philosophy and store operating standards to acquire and renew their licenses ►P.37	Provide new products with a focus on freshness, and more comfortable store environment ►P.61 - 62	Recycle used oil as feed or industrial raw material ►P.48

►P shows the pages with details of these efforts



Our Businesses

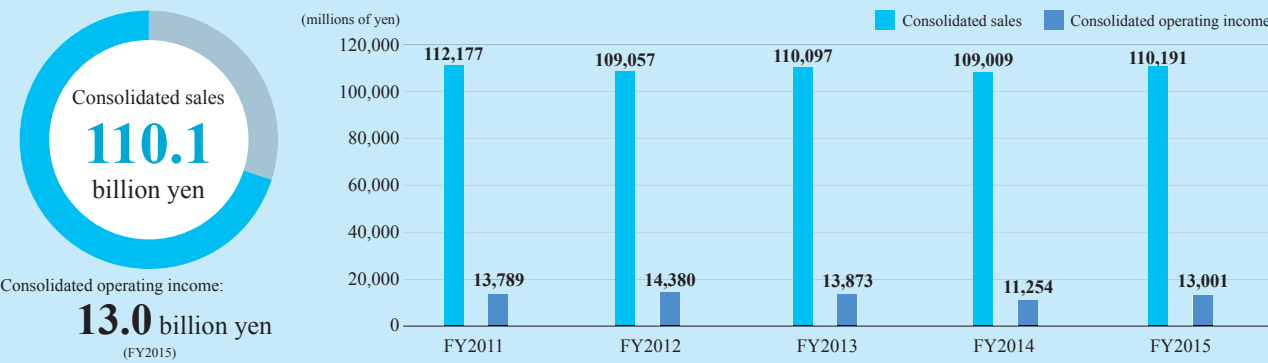
Duskin Group consists of Duskin Co., Ltd., and its 33 subsidiaries and three affiliated companies.

The Clean & Care Group is engaged primarily in the rental of Dust Control Products and the Food Group’s main business is Mister Donut. Along with these, we also operate related businesses mainly through franchise networks.

Clean & Care Group

The Clean & Care Group engages in businesses to provide services related to cleaning and cleanliness: Dust Control, the Group’s core business, mainly the rental of mats and mops, cabinet towels, air purifiers, etc.; ServiceMaster, for cleaning services; Merry Maids, for housekeeping services; Terminix, for pest control & prevention services; and TruGreen, for tree, shrub and lawn care. Each of these businesses is developed in

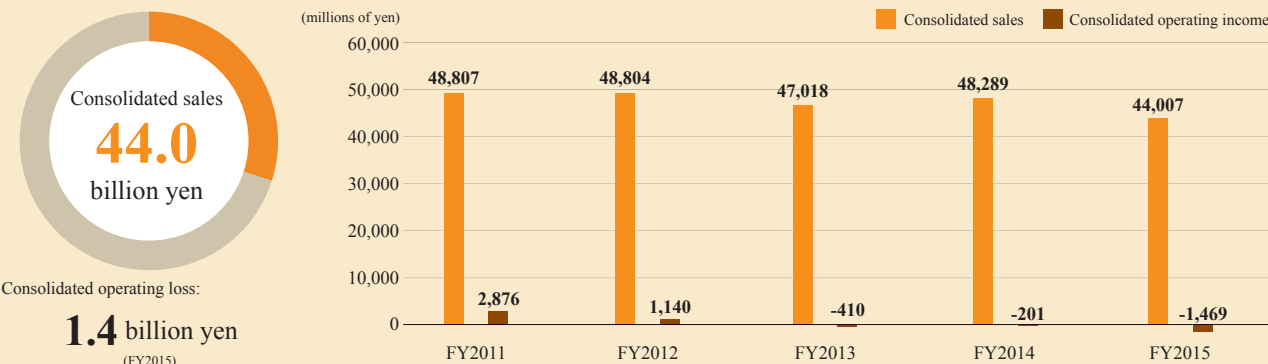
both residential and commercial markets. To meet diverse customer needs, the Clean & Care Group also operates Health & Beauty business for sales of cosmetics and health food, Home Instead business for providing daily assistance to seniors, Rent-All business for rental of nursing care equipment, daily commodities and event items, and Uniform Service for rental, sales and cleaning of uniforms.



Food Group

Along with its core business Mister Donut for sales of donuts and "yum cha" snacks, the Food Group operates Café Du Monde for serving café au lait and beignets and Katsu & Katsu pork cutlet specialty restaurants, while operating "The Don" seafood Donburi restaurants through a subsidiary. We have also been developing new forms of business to offer new types of deliciousness, including MOSDO, established through a

capital and business collaboration with MOS Food Services, Inc.; Bakery Factory large-scale bakery shops offering more than 100 varieties of bread fresh from the oven; ICE DE LION ice cream shops with the popular lion character; The Chiffon & Spoon serving chiffon cakes to eat with a spoon; and Pie Face offering pies with a face drawn on the piecrust surface.



Being one of the first to introduce the franchise system in Japan, Duskin has established the franchise business system since its founding and has constantly pursued its potential in subsequent business development.

Today, the franchise system is employed for a wide variety of our businesses, from periodic rental delivery service to professional cleaning service, and also to food service.

(As of March 31, 2016)

Rental and sales of cleaning and sanitary products

Dust Control

Number of units: 2,015

Professional cleaning service

ServiceMaster

Number of units: 1,058

Pest control and prevention services

Terminix

Number of units: 532

Handy housekeeping services

Merry Maids

Number of units: 750

Tree, shrub and lawn care

TruGreen

Number of units: 109

Rental, sales and cleaning of uniforms

Uniform Service

Number of units: 208

Sales of natural cosmetics and health food

Health & Beauty

Number of units: 470

Regularly scheduled delivery of spring water and coffee

Drink Service

Number of units: 668

Rental of daily commodities and items for events

Rent-All

Number of units: 114

Rental and sales of home health care equipment

Health Rent

Number of units: 141

Providing daily assistance to seniors

Home Instead

Number of units: 107

Sanitary management service for medical and welfare facilities

Duskin Healthcare

Number of contract facilities: 265

Offering a wide variety of homemade donuts

Mister Donut

Number of units: 1,269

Café specializing in café au lait and beignets

Café Du Monde

Number of units: 14

Pork cutlet restaurant

Katsu & Katsu

Number of units: 12

Donburi restaurant committed to the use of fresh ingredients

The Don

Number of units: 29

Chiffon cakes with a soft and moist texture

The Chiffon & Spoon

Number of units: 5

Collaboration with MOS BURGER

MOSDO

Number of units: 2

Suburban type bakery offering bread fresh from the oven

Bakery Factory

Number of units: 3

Ice cream shop offering a wide variety of menu items

ICE DE LION

Number of units: 1

"Ohitsu-gozen" restaurant

Ohitsu-gozen, Shiki Gokan

Number of units: 2

Pie shop from Australia

Pie Face

Number of units: 2

* The number of shops refers to the total number of contracted outlets of each operation base, including those temporarily closed or non-operating.

Business Overview

Clean & Care Group

FY2015 Review

Sales of dust control products, the core products of this segment, were higher than in the previous year. Rent-All, which rents daily commodities and equipment for various events, professional cleaning service and other business also posted higher sales. As a result, sales for the Clean & Care Group were 110,191 million yen, an increase of 1.1% from the previous year. Operating income totaled 13,001 million yen, a 15.5% increase from one year earlier, as a result of increased revenue and cost reduction efforts.

FY2016 and Medium-term Initiatives

There have been growing needs for housekeeping and other services to assist consumers in their daily lives due to growing number of senior households and the advance of women's role in society. The needs for food safety in food service establishments and sanitary management for washrooms in offices are also growing. Our goal is to expand our sales by reinforcing our customer contacts, and innovating our direct-selling business model that has been used consistently since our founding.

To meet the needs that are not covered by the long-term care insurance program, Duskin opened a consultation counter for seniors in cooperation with a local government. We are reviewing a new business model to respond to the requests and needs of seniors and will provide solutions.

Home Service (residential market)

- Nationwide rollout of Return Service By Post, which enables customers to return used rental items that have been delivered to customers at their workplaces or at home.
- Train sales representatives who can meet their customers' needs by utilizing smart phones and tablets loaded with the "Concierge" function.



Business Service (commercial market)

- Develop Hygiene Master with sanitary management expertise
- Proposals for sanitary management in professional kitchens, washrooms and offices that meet the customers' needs
- Enhanced sales activities with a focus on sanitary management designed for national accounts



Life Care Service (senior market)

- Review of services which assist seniors in their daily lives through public-private partnership (Wako-shi, Saitama)
- Develop service menus for daily life assistance services for seniors
- Aggressively develop the Home Instead business, which focuses on senior care and dementia care services



Food Group

FY2015 Review

With shop openings in new food businesses, sales of company owned shops increased. However, Mister Donut customer-level sales decreased, which led to a decrease in royalty fees and raw material sales to our franchisees. As a result, the sales of the Food Group was 44,007 million yen, a decline of 8.9% from the previous year.

While expenses decreased due to a reduction in promotional expenses and the smaller disposal of raw materials, there was significant profit drop due to decreased sales, resulting in the Food Group recording a 1,469 million yen operating loss.

FY2016 and Medium-term Initiatives

Due to Japan's aging population with a lower birth rate and changes in social structure because of the increasing number of two-income households, we are facing changes in service area and consumer purchasing behavior such as a tendency to spend less. Convenience stores are improving the quality and variety of their sweets items. Overseas sweets shops are starting operations in Japan successively. Competition is becoming increasingly intense. The greatest challenge for Food Group is to identify and develop new businesses as well as to rebuild the Mister Donut brand.

Mister Donut



- Renovate shops in order to create different motivations for visiting the shops and different conditions/environments for their locations, and complete 1,000 shop renovation/openings in 5 years by FY2020.
- Provide home-made, fresh, high value-added products that only a donut specialty shop can make
- Enhance hospitality to serve customers
- Improve take-out services to meet different motivations to buy gift items



Other Food Businesses

- Aggressive openings of Katsu & Katsu, The Chiffon & Spoon, Bakery Factory, ICE DE LION, and Pie Face



New Business and Overseas Business Development

New Businesses

We will continue to work on developing new businesses in areas where we can take advantage of our strengths and businesses related to our existing operations. We aim to grow as a group of companies able to respond to all customer needs. We intend to review the possibilities of M&A for the business activities in Japan and abroad that have affinity with Duskin Group and the potential to create new values through alliances.

Overseas Business Development

Neighboring Asian nations are experiencing rapid economic development and there is a remarkable improvement in personal income. We view this as an opportunity to establish our Duskin and Mister Donut brands in these markets.

Duskin Group’s CSR

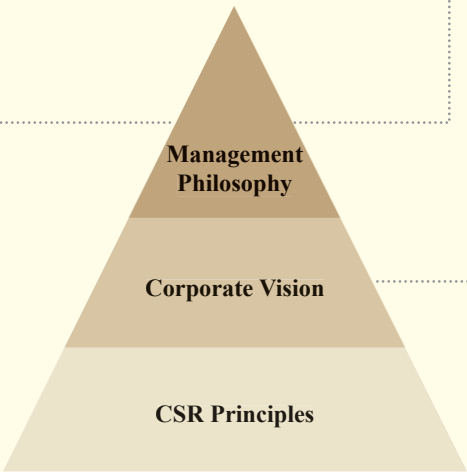
Joyfully respond to the expectations of society

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

Basis of Our Business Management

Unison of Economy and Morals

"Morals" or philosophical beliefs are the reflections of our heart, our engagement in society.
"Economy" means economic pursuits for business growth as a company.
It means for us to make sustainable growth possible by serving our society, joyfully responding to the expectations of society.
This philosophy is the basis of Duskin Group's business management since its foundation.



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.

The world's most considerate service provider

Create a new societal culture where the focus is on contributing to people's lifestyles, comfort and happiness.

Duskin responding to the wishes of people

Under the philosophy of "Unison of Economy and Morals," the basis of our business management, we aim to achieve sustainable growth while playing a useful role in society. Duskin Group has set the CSR principles, which each employee of the Group must observe. Compliance with these principles is a precursor to responding to the wishes of customers, members of communities, franchisees, suppliers, shareholders, and coworkers of each workplace, and is must to practicing the management philosophy of "Sowing the Seeds of Joy."

Duskin Higan (Earnest Wish)

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 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

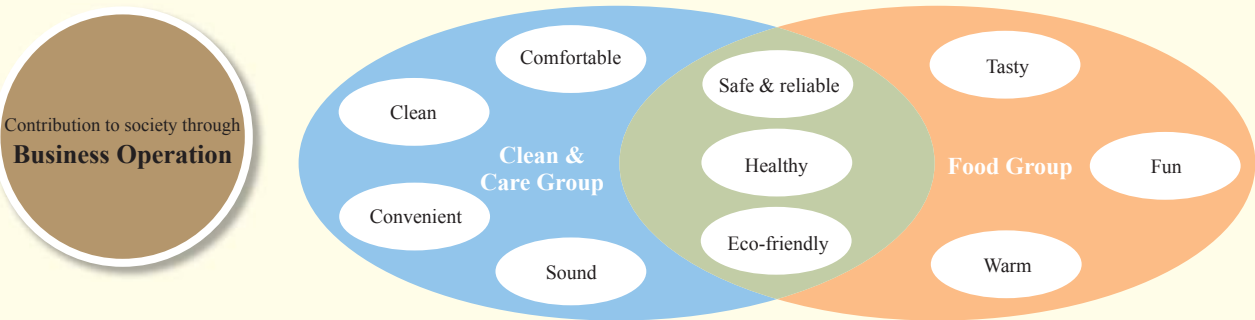
Employees’ attitude toward their duties that forms the basis of their daily deeds



CSR Policy

Being a Considerate Service Provider

Based on the franchise business system, Duskin has operated its businesses to "Sow the Seeds of Joy" to make people happy. We strive to continuously improve our corporate value by sharing joy with people in the communities and contributing to their lifestyles being rich in both spirit and materials.



Stakeholder engagement



Society we want to build	To create a new societal culture where the focus is on contributing to people's lifestyles, comfort and happiness.
Mission for customers	To think about customers from their perspective, to be the most customer-oriented corporation in the world, and to put pro-customer ideas into practice.
Ties with franchisees	Duskin Head Office and franchisees share the same philosophy, and take similar action.
Ties with employees	Employees support each other, embrace challenges and grow together.
Community relations	To become the most trusted and reliable service provider building harmonious and prosperous relationships with local communities.
Engagement with suppliers	To build strong partnerships through fair and appropriate transactions.
Engagement with shareholders	To strive for enhancement of corporate governance and continuously improve our corporate value.
Environmental conservation	To continue environmentally responsible businesses with goals for business growth that incorporate reduction of negative impacts on the environment.

CSR Principles

1. Sustainable growth
We sow the "Seeds of Joy," to continuously respond to the trust of society.
2. Respect for human rights
We protect human rights and respect the individuality of each person.
3. Environmental conservation
We endeavor to protect the global environment by implementing all possible measures.
4. Dialogue & exchange
We care for other people and aim at building a better society.
5. Products & services
We offer products and services that can please customers.
6. Improving the work environment
We establish a work environment in which everyone can fairly develop their characteristics and abilities and feel the joy of work.
7. Compliance
We act and think from the standpoint of others.
8. Information management
We handle with meticulous care and properly manage information.
9. Risk management
In an emergency, we place the highest priority on the safety of human life and cooperate with local communities for mutual help.



Consumer Round-Table Conference



Company briefing towards private investors



Mister Donut Customer Center



Exhibit booth at the Nikkei IR Fair

Stakeholder Materiality

The Duskin Group bases its business management on the "Unison of Economy and Morals," to be able to joyfully respond to the needs of society and achieve sustainable growth while being of benefit to society and contributing in no small measure to the needs of society.

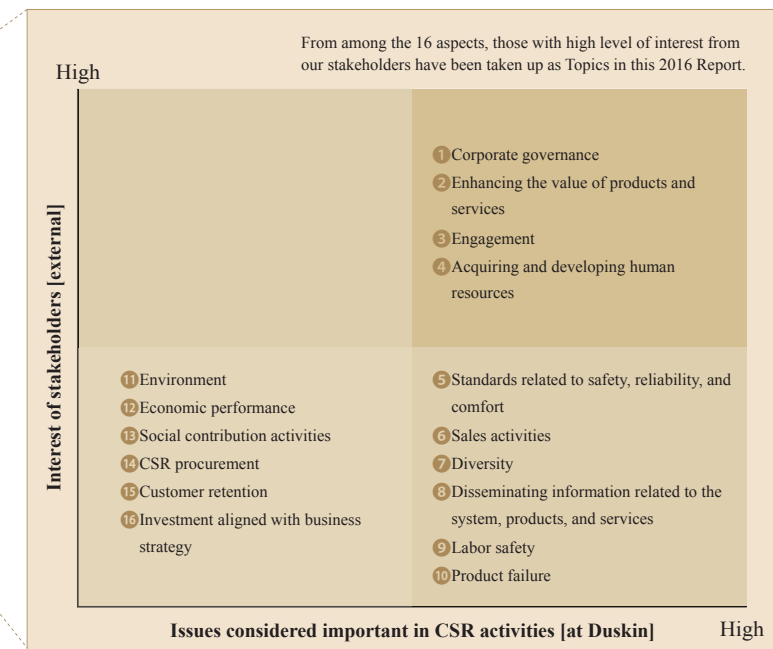
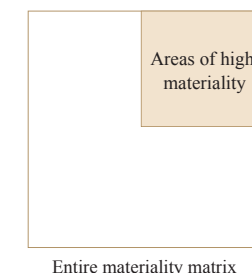
We listen to the opinions of our stakeholders, as well as study the diverse opinions gathered from a broad range of external organizations. We review and study the material issues that the Duskin Group needs to tackle. And in this process, we seek to enhance the corporate value of the entire Duskin Group by identifying the materiality and strengthening of our initiatives in those areas that benefit both society and our corporation.

Materiality Process

Materiality for Duskin and our stakeholders are identified by gathering the feedback and input of stakeholders and experts through diverse sources from both in and outside of Japan, listening carefully to these opinions, and evaluating our management issues.

1	<p>Quantitative evaluation based on the input from our stakeholders received through the following nine sources.</p> <p>Materiality for the stakeholders</p> <p>① Input received by the Duskin Call Center (Clean & Care: Inquiries & requests) (155,436 calls)</p> <p>② Input received by the Mister Donut Customer Center (Food) (26,107 calls)</p> <p>③ Input received by the Duskin Call Center (Clean & Care: Problems) (20,332 calls)</p> <p>④ Summary of the CSR Report survey (Themes that need to be tackled in the future and social issues that merit greater focus) (200 survey responses)</p> <p>⑤ Summary of shareholder survey at the financial results briefing (Daiwa IR) (Issues that impact on business management) (15 persons)</p> <p>⑥ Discussion at the Consumer Round-Table Conference (6 organizations)</p> <p>⑦ Dialogues with experts outside of Japan (Institute for Human Rights and Business, Sedex) (2 organizations)</p> <p>Materiality for Duskin</p> <p>⑧ Manager training workshops: Discussion on What is required to become a trustworthy company that meets expectations of society (184 participants)</p> <p>⑨ Manager training workshops: Discussion on Important issues in the seven core themes of CSR activities (184 participants)</p>
2	<p>The feedback and input from the above sources are categorized into 16 materiality aspects, and each aspect is ranked within the respective sources.</p>
3	<p>Materiality of each category is evaluated.</p> <p>Materiality for the stakeholders</p> <p>Among the sources ① to ⑦, each aspect is rated on a 10-point scale, and the points for the respective aspect of all sources are totaled. The average of the total points for each aspect is established as the "materiality score."</p> <p>Materiality for Duskin</p> <p>For the findings from ⑧ and ⑨, each aspect is rated on a 10-point scale, and the points for respective aspect of both sources are totaled. The average of the total points for each aspect is established as the "materiality score."</p>
4	<p>The issues are plotted on a matrix based on the "materiality score."</p>

Materiality Matrix



► 16 Materiality

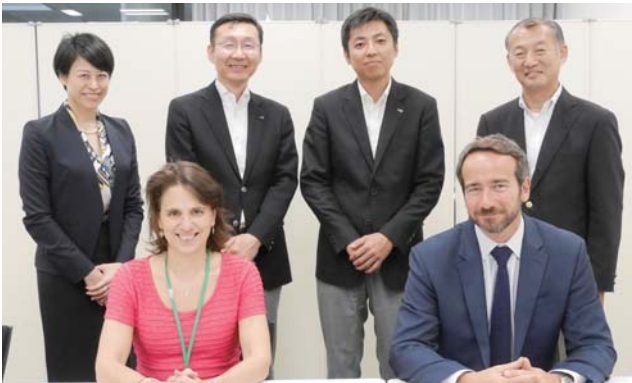
① Corporate governance	Creating an organization as a company of integrity that earns the trust of customers
② Enhancing the value of products and services	Pursuing products and services that are considerate of customers
③ Engagement	Commitment to community
④ Acquiring and developing human resources	Creating personnel who help each other, taken on challenges, and achieve personal growth
⑤ Standards related to safety, reliability, and comfort	Providing products and services that are safe, reliable, and comfortable
⑥ Sales activities	Conducting appropriate sales activities and providing accurate information about the products and services
⑦ Diversity	Respecting diverse individuals
⑧ Disseminating information related to the system, products, and services	Appropriate announcements and explanations from the perspective of the customers
⑨ Labor safety	Building a safe, reliable, and comfortable workplace environment
⑩ Product failure	Responding with solutions
⑪ Environment	Contributing to environmental conservation
⑫ Economic performance	Building a management base that responds to the expectations of society
⑬ Social contribution activities	Contributing to the local community and society
⑭ CSR procurement	Building trust with our business partners
⑮ Customer retention	Developing a framework that respects the opinions of our customers
⑯ Investment aligned with business strategy	Making investments that contribute to society

Dialogue with Advisors and Experts

In order to incorporate diverse views of society, we participate in various meetings of experts and advisors both in and outside of Japan, and receive advice from Caux Round Table*. Through these efforts, we identified the potential issues that impact Duskin's businesses and stakeholder. We are currently reviewing which issues are to be prioritized.

In FY2015, we participated in the Stakeholder Engagement Program and the Business and Human Rights Conference in Tokyo hosted by Caux Round Table. On September 14, we also held dialogues with organizations acting globally in the field of CSR, and business and human rights.

*NPO (non-profit organization) that contributes towards the sustainable development of businesses and societies from a global perspective.



2015 Business and Human Rights Conference in Tokyo
Front row, from left: Lucy Amis (Research Fellow, Mega-Sporting Events, Business and Human Rights Conference) and Dan Murray (Head of Membership Development & Marketing, Sedex)

Stakeholder Dialogue

Business and Human Rights Status Check

Since the Guiding Principles on Business and Human Rights received unanimous endorsement by the United Nations Human Rights Council in 2011, there has been a heightened global call for companies to identify, address and report on adverse human rights impacts that are involved.

The Duskin Group has made efforts to understand potentially relevant issues through stakeholder engagement as well as dialogues with experts both in and outside of Japan. The following are the status check of these efforts, and what I expect from Duskin in its future activities.



Hiroshi Ishida
Executive Director
Caux Round Table Japan



Existing Activities

- ① Mapping potential issues from the perspective of Duskin
Potential issues related to Duskin have been sorted into the four CSR focused areas (safety, reliability and quality; human resources; environment; local and social contributions) as described in the 2015 CSR Report.
- ② Mapping potential issues from the perspective of society
The voices of the stakeholders both in and outside of the company have been gathered in relation to the four important CSR areas (safety, reliability and quality; human resources; environment; local and social contributions). Duskin exchanged opinions with NGO/NPOs and companies in the 2015 Stakeholder Engagement Program organized by Caux Round Table Japan. Duskin also participated in the 2015 Business and Human Rights Conference in Tokyo, where they held dialogues with leading organizations in the field of business and human rights.
- ③ Selecting the themes that need to be focused on
Duskin selected three target themes (enhancement of the value of products and services; acquiring and developing human resources; stakeholder engagement/corporate governance) that require immediate response. They were selected based on the potential issues identified both from the perspective of Duskin and society, considering the philosophy of "Unison of Economy and Morals."

For the Future

Over the past year Duskin prepared for the appropriate response towards business and human rights issues by deepening understanding of its potentially relevant issues.

In the future, the plan is for Duskin to conduct an impact assessment in its Clean & Care and Food business segments, and identify the risk of adverse impact on human rights in its business activities. I believe that the series of processes to identify, address and report on adverse human rights impact are critical to implementing the Duskin Group's CSR policy of being a considerate service provider. It is equally important to develop a human rights policy that reflects the impact assessment results. Human rights policy is essential to embed human rights into its business operations while reflecting Duskin's corporate culture, and to share Duskin's views with stakeholders both inside and outside the company.

Reassessment of the impacts the Duskin Group has on society through a human rights lens is required in developing meaningful activities in line with SDGs (Sustainable Development Goals), which the entire international community is expected to work on towards 2030.

I hope that Duskin will further "Sow the Seeds of Joy" as ONE DUSKIN through these series of activities they conduct together with their stakeholders, and that the Duskin Group will further strengthen its philosophy of "unison of economy and morals."

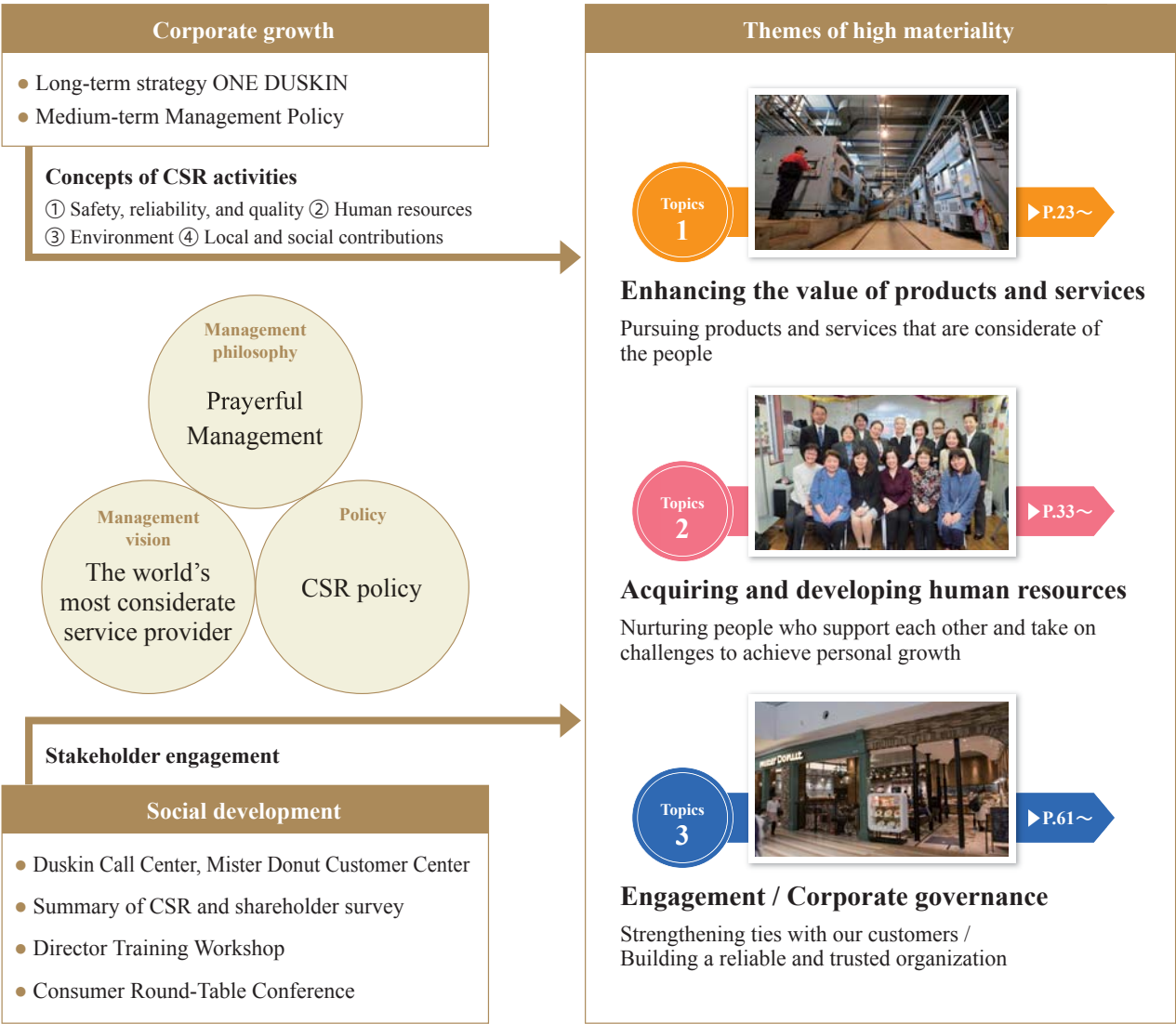
Stakeholder Engagement and CSR Activities

The Duskin Group places emphasis on stakeholder engagement with CSR concepts in Duskin's management practices and business activities. In line with the Duskin Group's long-term objective to build ONE DUSKIN, the strategy is to require that all management and business activities measure up to the following four CSR areas - safety, reliability and quality; human resources; environment; and local and social contribution.

2016 Initiatives

- 1. Since "corporate governance" was ranked high as a result of the Materiality Process, we will enhance our corporate governance and broaden CSR focused areas from four to five.
- 2. We will establish basic policies to how to address human rights issues in FY2016, and incorporate human rights considerations into Duskin's business activities and CSR initiatives.

The top-ranking issues from the Materiality Process are introduced under the Topics 1, 2 and 3



Concept of Duskin Group's CSR activities

Safety, Reliability, and Quality

We aim to realize an enriching society filled with smiles by providing high quality products and services that are safe and reliable. We continuously strive to achieve quality management that reflects the voices of our customers.



Human Resources



The quality of service depends on our people who provide the services. To provide products and services that customers think of as considerate, we need people with compassionate hearts as well as skills and knowledge. Based on this belief, we put thoughtful resources and efforts in the development of people through a variety of education and training.

Environment

We strive to achieve the joint objective of engaging in sound business activities and environmental conservation. We provide products and services that are safe, reliable, and environmentally friendly throughout each phase from production to after-use.



Local & Social Contribution



As a corporation and a member of local communities, we want to be of more service to the communities of our customers. We at Duskin continue various initiatives as a service provider that contributes to our local communities in line with our philosophy of "Sowing the Seeds of Joy."

Corporate Governance

Alongside establishing a management framework that allows us to accommodate changes in our business environment with swiftness and precision, we will continue to maintain a structure, organization and systems that enable us to realize sound and highly transparent management.

Themes of focus	Goals (KPI: Key Performance Indicators)	Efforts & progress	Self evaluation
Safety, Reliability & Quality	Among all products offered, maintain zero critical defects immediately after introduction.	Zero critical defects immediately after introduction. The scope for receiving factory audit was expanded because when a new product is implemented, defects are more likely to occur until the production line stabilizes.	○
Human Resources	Opportunities and promotions for diversity in human resources	Increase of 5 persons in FY2015 (increase of 1.7% from previous year). The period of the plan and its quantitative goals have been revised in order to develop an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.	○
	Training and development	Annual training hours per employee (at Duskin Co., Ltd.) was 12.5 hours/employee in FY2014. Investment in further development of human resources will be continued by maintaining this level of training hours. Annual training hours per employee was 18.3 hours/employee in FY2015. In order to support the development of the employees' careers and the active participation of women in the workforce, a new curriculum called Career Development Training was added to the company-wide training structure.	○
Environment	Greenhouse gas emission (GHG): 3 percent reduction by the end of FY2017, compared to the emission in FY2014	GHG was reduced by 2.7% in FY2015, compared to the previous year. Efforts were continued, without being fixated on simply following rules and regulations, to develop a structure that enables Duskin Group and franchisees to share information on our environmental efforts and control the progress towards achieving the overall goal.	○
Local & Social Contribution	Clean Up My Town total number of participants: 300,000 people or more by the end of FY2017, from accumulated total of 219,000 participants since 2006	An activity to clean the towns, which is now in its 11th year. In FY2015, this activity was held at 35 locations nationwide, with participation by approximately 250,000 people. The program will continue hosting walks and other events to attract more participants. We will pick up trash and clean the towns together with the local residents.	○
	3-year goals from FY2015 to FY2017: School cleaning seminars for teachers: 2,000 teachers, 75 school boards "Sow the Seeds of Cleanliness" Classroom: 162,000 students, 1,620 schools	There is high demand for the on-site class, with the number of schools requesting repeated visits increasing every year. So far, the on-site class was held at 812 schools, with participation by more than 73,000 students. Specialized staff will continue and strengthen their efforts towards educating School Cleaning Supporters.	○

* For results of these efforts (for the past 4 years), please see the "Non-financial Highlights" on page 4.

Duskin brand supported by Osaka Central

Duskin considers the recycling of its reused products as constituting a part of its production & logistics, together with the manufacturing of its newlymade products. Doing our best to create long-lasting and high-quality products, and then recycling these products—this concept is at the base of Duskin's unique business, built on a wish to serve the society through our efforts to "Sow the Seeds of Joy."

Osaka Central Plant

(Suita, Osaka)

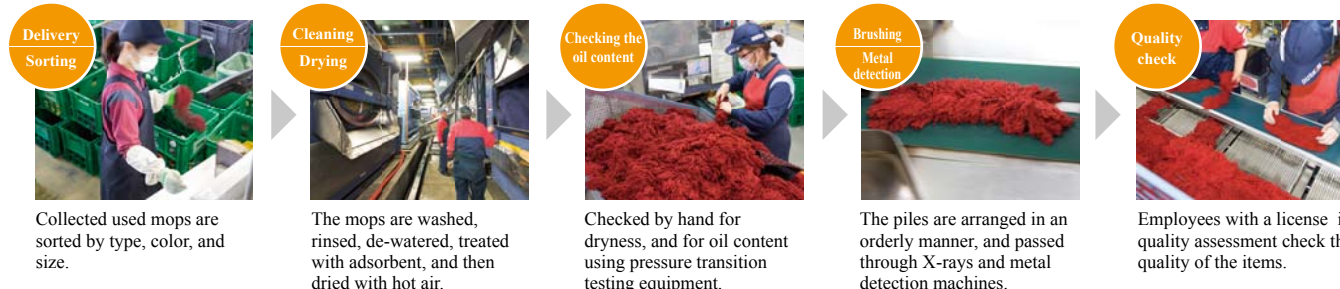
The foundation of our rental system that places importance on our resources: **Reprocessing of used mops and mats**

The quality of recycling at Osaka Central Plant, Duskin's company-owned plant

As Duskin's founding plant, the Osaka Central Plant leads Duskin's unique recycling and production efforts for washing and processing mops and mats. Much of Duskin's know-how on mass recycling and reprocessing of mops and mats was developed here, before being passed on to the other plants. Of the 48 plants, Duskin owns and operates two; one in Osaka and the other in Yokohama. Of the 920,000 mops and mats that are recycled in one day throughout Japan, approximately 30,000 are recycled and produced here at the Osaka Central Plant.

Quality and speed, realized by a recycling system built on a cumulative know-how of many years of experience

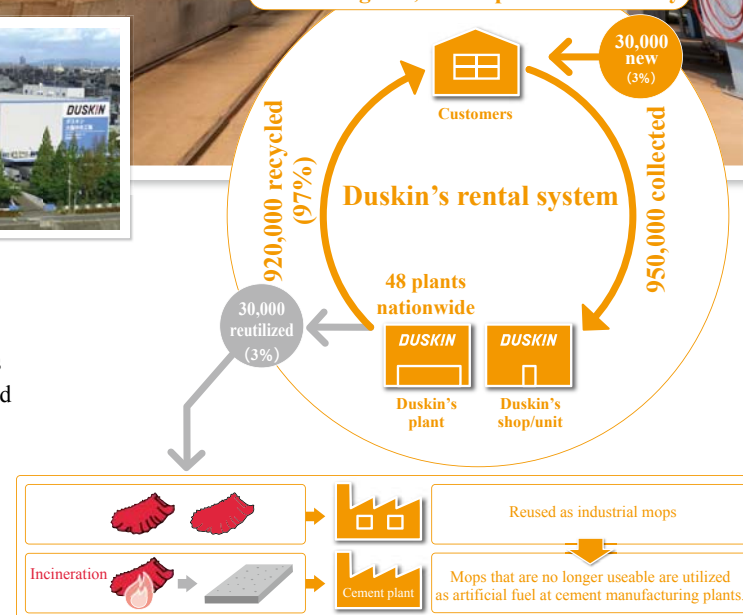
■ The process for making a soiled mop clean again



Fully automated lines that clean (photo at left) and dry (photo at right) (capacity per line: 200 kg of mats)



Delivering 950,000 mops and mats a day



Plant and Wakura Duskin

Wakura Duskin Co., Ltd.

(Nanao, Ishikawa)

The skills and high motivation of the employees give birth to long-lasting mops that are suited for rental.



Production of Duskin mops

that serve as the backbone for ensuring a stable supply of high-quality products, made from the standpoint of the customers

Efforts being made by Wakura Duskin, the place of origin for making mops

Stylish floor mop LaLa and handy mop Shushu

The LaLa is light and compact, whereas the Shushu is convenient for reaching narrow and high places. These products are also popular for their stylish design that can even blend into the décor of the living room.



Wakura Duskin was founded in 1967 by Seiichi Suzuki, originally as a repair factory for mops and mats. The company later brought together the sewing and manufacturing processes for making mops, which had been dispersed throughout various locations in Japan. It started on its path towards becoming a one-stop manufacturer as the starting point for mops. In addition to the processing of dye and adsorbent agents, the company also produces air fresheners. The employees are working together as one in aiming to become the number one mop manufacturer in the world.

Main manufacturing plant, where Duskin's founding spirit continues to live

During the early days of Duskin, Wakura Duskin was founded with a wish to "Sow the Seeds of Joy." The company brought together in one location the different functions for manufacturing mops, and now handles all processes for making a mop, starting from the piles up to the final finish. The company also serves as a spiritual pillar of the Group in being the place of origin for making mops, and also in being the office that still retains the founder's original aspirations from the founding days.



Fine piles manufactured with Wakura Duskin's original techniques, achieved through much trial-and-error

Undefeatable persistence towards achieving the desired quality supports the development of new products

Our core residential products, the stylish handy mop Shushu and the floor mop LaLa, feature high quality with shapes realizing ease of use and trouble-free piles that remain reliably attached despite their extremely fine size. It was extremely difficult to sew and produce these narrow piles, and also difficult to develop machines for making such piles. The reason why we were able to succeed, despite these difficulties, was none other than the passion and commitment that our employees gave to deliver better and more convenient mops to our customers.



Uniquely creative touches, born through experience, are added even to one small machine

Creating a workplace that utilizes the perspectives of women

Of the 78 employees*, 59 are women. And of the seven executives, five are women. Among the companies in the Duskin Group, Wakura Duskin has a high level in the active participation of women in the workplace. Since the majority of our customers who use mops are women, the perspectives of our female employees are brought to full use in a variety of areas—from collaboration with female staff in the product development division of the Head Office, to production of mops.



Our current main line of products, Shushu and LaLa, are fruit of their teamwork and seamless effort in overcoming many difficulties.

*Excluding part-time workers (As of February 1, 2016)



Pursuing products and services that are considerate of the people

Duskin places the highest priority on safe, reliable quality products and services. Our goal is to contribute to people's lifestyles, comfort and happiness with products and services that customers find most considerate in the world.



Our commitment to quality

With the goal to win customers' trust, we strive to establish and ensure a complete quality control system. We pursue safe, reliable and environmentally friendly products and services based on our quality policy.

Duskin Quality Policy

"Duskin delivers safe, enjoyable and environmentally friendly products and services."

- 1 We place highest priority on safety in all processes involving our products and services (research, development, purchasing, manufacturing, distribution, use by customers and proper disposal).
- 2 We reduce negative impacts on the environment when producing our products and providing our services.
- 3 We listen attentively to our customers and consumers, and reflect their voices in our products and services.
- 4 We comply with laws, regulations and in-house rules, and adhere to our goal to conduct quality assurance activities.

Safety and reliability of our products

In order to ensure that the products we supply to our customers are safe and reliable, before launching them, we review the quality of those products between the development and launch phases at Safety Council and other gatherings, and order improvements as necessary. In addition, prior to launch, we hold development meetings attended by our outside directors, third-party internal department employees, and other members responsible for checking products from consumer perspectives. Following launch, we strive to maintain our established levels of quality by conducting regular and irregular quality checks on products in distribution.



Tests for durability and non-destructivity conducted using various testing devices and robots

Safety and reliability of our cleaning services

For technical services we offer for families and business establishments, from cleaning and housekeeping services to pest control and regular tree, shrub and lawn care, we conduct safety checks that cover the equipment, materials and chemical agents used in those services. In rendering these services, we strive daily to maintain and improve their quality level through endeavors such as training and internal competitions for keeping up the quality skills of our workers.



Scene from Technical Contest



Safety checks for equipment, materials, and chemical agents

Safety and reliability of our total rental services

Rental items returned from customers are thoroughly maintained and managed by cleansing, sterilization, and function along with safety checks. This ensures that the customers use our rental items with a sense of safety, reliability and comfort. For the home health care equipment, for which hygienic control is required by the law, we follow appropriate processes for sterilization. Included in these means is ozone fumigation, which eliminates bacteria as well as odor. We ensure our rental items properly maintained and stored.

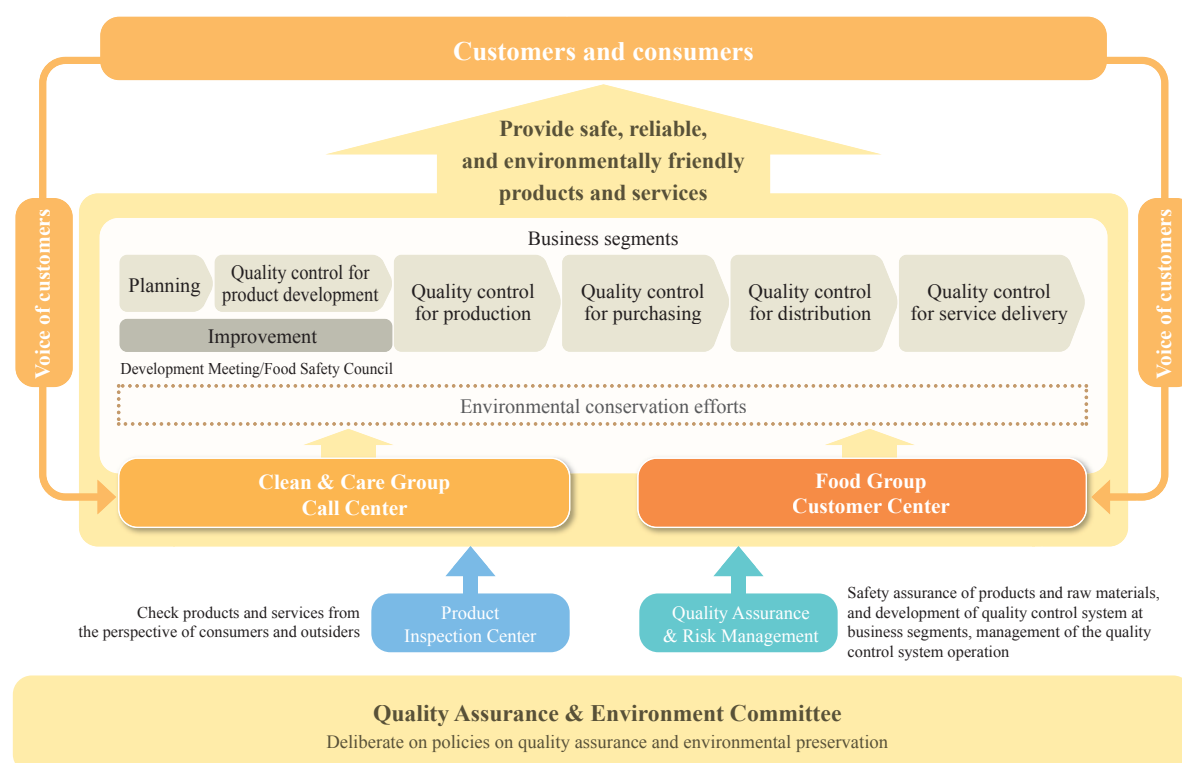


Cleansing wheelchair foot pedals



Sterilizing the main frame unit of beds for nursing care (by eradicating bacteria using ozone fumigation)

Quality assurance framework



Received the "Excellence Award at the Best Contributors to Product Safety Awards"

Duskin was awarded the Excellence Award in the Large Retailer Category at the FY2015 Ninth METI Best Contributors to Product Safety Awards. This award program was established in 2007 with the aim of encouraging private enterprises to make active commitment towards improving product safety, and to establish the concept of the value of product safety in Japanese society. Duskin is the first among the direct selling sales industry and the dust control industry to receive this award.

[Reasons for recognition]

- 1 **Selection of products developed from the perspective of the users**
The company selects products that can be used safely by studying accidents that have happened with similar products, and by analyzing, considering, and evaluating the products from the perspective of the users.
- 2 **Provision of detailed information on safety towards the users**
The company develops usage instruction videos in order to prevent wrongful use of its welfare products, etc., and makes efforts to give out courteous and helpful information. The company is also working to strengthen its ability to ensure safety through making regular home visits.
- 3 **Information sharing and human resources development, including franchise offices**
The company shares product safety information at regional meetings, and also makes efforts to improve awareness of their employees through the use of training videos.



Scene from the award ceremony

Duskin places the highest priority on food safety so customers may enjoy all the products we develop. To ensure the safety, we have established quality standards for all phases from product development, serving the products to customers, and ultimately for customers to enjoy the products.

Consuming large quantities of trans-fatty acids causes an increase in the level of LDL (bad) cholesterol and reduces HDL (good) cholesterol in the blood, and is thus believed to increase the risk of developing coronary heart diseases¹. In Japan, the average intake of trans-fatty acids is low compared to that of other countries, and so, the government has not established any particular standards on the allowable intake². However, Mister Donut has been taking the lead in confronting this problem, and is utilizing oil with a significantly reduced amount of trans-fatty acids at all of its stores since December 2007.

[illegible]

*3 "Average of 0.25 grams" refers to the average amount of all items offered at Mister Donut as of April 1, 2016 (study according to our company). This is a calculated value based on the blend of ingredients. There may be some small discrepancies, as each product is made by hand at the shops.

For development of new food products and consideration of specification changes, a meeting is held to ensure the safety by our Food Safety Council, consisting of representatives from food safety management, product development and quality assurance departments. Through all phases, safety is reviewed and confirmed including raw materials and their origins, legal compliance of food additives, allergy information, appropriateness of foreign matter removal process, test results of residual agricultural chemicals and antibiotics, storage stability of the products, and sanitary management of contracted raw material processing plants, storage and distribution facilities, and handlings at sales locations.



Food Safety Council

We continue to improve our inspection procedures through scrutinizing new contractors before transactions, inspection of their production operation and periodic inspections. Our inspection specialists for food processing plants conduct comprehensive and quality inspections with more than 400 items for our checklist in facility management, process management, sanitary management and production management.



Regular inspection of consigned raw material processing plants (storage)

The quality of products and raw materials are maintained at the storage facility and during the transportation to sales locations. Thorough evaluation and monitoring of storage conditions, temperature control and best-before dates are conducted. Our inspection specialists for food processing plant conduct quality inspections for new transactions and major changes. Each business segment takes responsibility for daily level quality check and improvement.

At our food service locations, including Mister Donut, thorough hygiene management procedures are conducted by daily cleaning and insuring the rules for storage and quality management of raw materials are adhered. Periodic sanitary inspections are also conducted by external institutions. With assessment and guidance for improvement provided from the outside experts' viewpoints, we fully support the improvement cycle for comprehensive hygiene management.

■ Nutritional information

Nutritional information about the product (equivalent amount of energy, protein, fat, carbohydrates, salt) is made publicly available, in accordance with the established labeling standards. The information is updated as needed when a new product is released or when improvements have been made to an existing product. At the shop, a printout of this information is available to the customers upon request.

Nutritional information for each product is also made available on Mister Donut's official website.

[illegible]

Web www.misterdonut.jp/m_menu/eiyou/

Information on the origins of major raw materials is made publicly available. This information is displayed on the screen facing the customer at the shops' cash registers, and also on Mister Donut's official website.



Price card that displays the seven specified allergenic ingredients



Customer checking the origin of the ingredients at the cash register screen



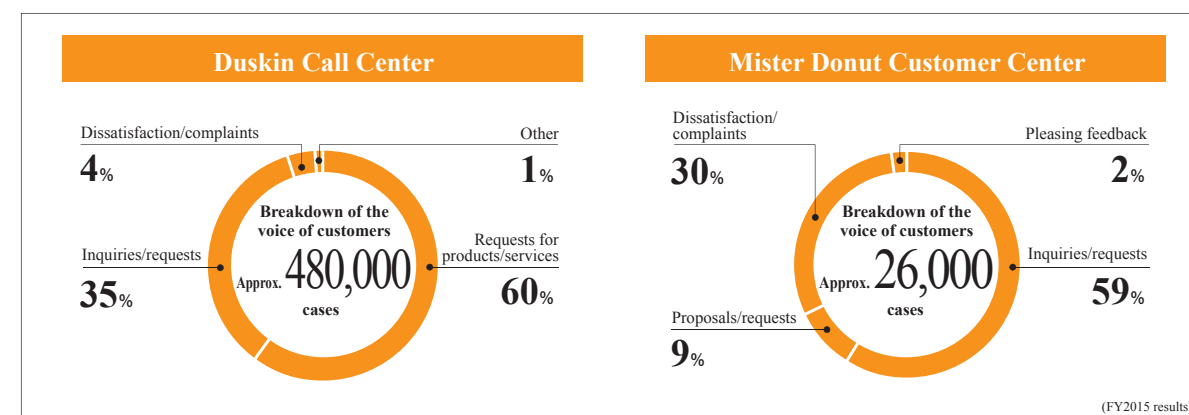
Pursuing products and services that are considerate of the people

Incorporating the voices of customers

Duskin incorporates the voices of customers in developing a business model that responds flexibly to the changes in the lifestyles and social environment, and in providing products and services that answer the needs of our customers.

Response at the Call Center

Duskin Call Center and Mister Donut Customer Center both serve to listen to the opinions and requests our customers have with regards to our products and services. We diligently answer every single call with gratitude toward customers for their valued feedback, and clearly respond to their questions. To ensure prompt service, we estimate the number of calls we will receive based on the day and time of day, and adopt a personnel framework that is conducive to flexible changes. The content of the conversations with the customers are accurately entered into our system by our operators, and this information is shared with our staff in the different business segments to understand the current customer needs and desires in a timely manner, which in turn enables us to bring forth better products and services.



Example of improvement efforts Making Duskin products available to customers who tend not to be at home

In recent years, we have been receiving an increased number of requests from customers expressing their wish to use our products without having to be at home to receive them. Since our founding, Duskin has consistently employed a style of visiting our customers in person and delivering our products by hand. Our reasons for this were from our desire to show our sincerity when delivering our products to the customers, and to receive direct feedback on those products with regards to ease of use and other elements when we come to collect them after use.

At the same time, rental services that accommodate the increase in working women and changes in lifestyles have become increasingly necessary over time. We launched our "Return by Post Service" all over Japan. Through this service, our sales representatives deliver products to customers' homes by placing them in their mailbox. Customers then return the products by post following their use. This enables customers to take advantage of our rental services even when they are not at home throughout the day.



Mister Donut Fan Meetings

To close the distance with our customers when asking for their feedback, we began holding Mister Donut Fan Meetings in May 2014. Once a month, the President & CEO of Duskin and staff from our Mister Donut business visit designated venues on a prefectural basis to directly exchange opinions with participants, and to introduce information about Mister Donut including its history and initiatives. These meetings have been a source of acquiring various requests and

feedback, such as "bring back donuts that you sold before" and "release low-calorie, low-allergen items," that we have applied towards our efforts to enhance and improve the services and products offered by Mister Donut. During FY2015, we held meetings in twelve prefectures in Japan that were attended by a total of 678 people. So far, the meeting has been held at a total of 23 prefectures with attendance totaling 1,297 participants.



Scene from the Mister Donut Fan Meeting



Round-table conferences with consumer organizations

On November 9, 2015, we held a Consumer Round-Table Conference for the purpose of garnering feedback from parties representing consumers and incorporating that feedback into the management of our business. Participants in this Round-Table Conference, the ninth since the gathering was first held in 2006, included nine persons representing six consumer and other organizations, as well as Duskin's officers and outside directors. The meeting

consisted of a tour of the Duskin Museum, which had opened about one month earlier, and of explanations on Duskin's communications with the consumers. Duskin plans to continue holding these Consumer Round-Table Conferences as a valuable forum for exchanging opinions, with considerations being made on a broad range of themes for discussion.



Scene from the Consumer Round-Table Conference





Pursuing products and services that are considerate of the people

Research and development activities

The Duskin corporate group engages in the research and development of primarily cleaning- and cleansing-related items that tie into the products and services we provide as well as treatment technologies. Our R&D activities emphasize quality and our environmental measures. In addition to engaging in product testing efforts at the development stage of those products and services, such as tests and inspections for safety, reliability, usefulness and environmental footprint, we verify legal aspects and inspect product labels and other areas.

Research and development policy

We aim to establish Duskin brand as pro-consumers in the areas of safety and reliability. We provide consumers with safe and reliable Total Clean Care products and services. Our R&D endeavors are centered on commitment to development of fundamental technologies, new product development, product quality improvement, and measures for environmental conservation.

- We will establish development technologies for consumer-oriented products.
- We will stay ahead of the industry by swiftly and accurately ascertaining consumer shifts and needs.
- We will engage in research for fundamental technologies for our products and services.
- We will expeditiously gather information on products and technology and aggressively introduce new technologies that are free from past conventions.
- We will pursue safety and reliability alongside product functionality and performance as well as uncompromised environmental friendliness and gentleness to the human body as the theme that underlies our R&D endeavors.

Additionally, the rental-focused nature of our flagship products enables us to make effective use of resources through the repeated use of those products as well as facilitate environmental friendliness and reductions in our cost of sales. We also engage in the research of treatment processes for used rental products, associated chemical agents, and other elements that will help us expand upon the number of times those products can be used.

Product testing policy

We conduct product testing as well as analytical and hygienic testing work on: external, structural and component safety; performance and effectiveness; ease of use; reliability and durability; and appropriateness of labeling. These tests are conducted from four perspectives: customer satisfaction, consumer protection, legal compliance, and environmental preservation. We do so to pursue the satisfaction of our customers while establishing Duskin as a brand that is both safe and reliable through all of products and services.

Our main research and development initiatives

■ Research related to mop products

We are engaged in researches to improve the functionality of our mops. Through research on sources of dust and its effects on personal health, we are developing cleaning methods that remove dust without agitation. Included in our researches are: the materials that work most effectively for different types of dust; environmentally friendly materials through effective use of the short fiber lint in fabric spinning process that is usually discarded; and adsorbents that inhibit activities of ticks and other allergens captured by mops.



Research on fiber materials used in mops



Research on adsorbents that inhibit allergens

■ Research related to mat products

Our research for mat products includes those for effective combination ratios for fibers to remove dust, unconventional usage and functional materials. We also conduct research to utilize limited resources by enhancing the reuse ratio of mat products and making the fibers and rubber contained in our mats lightweight.

Supply chain

At Duskin, in order to do business with our suppliers based on mutual understanding and relationships of trust, we engage in procurement activities that comply with laws, ordinances and social norms while keeping our door open to all kinds of enterprises, be they foreign or domestic, and standing firm on our principles of truthfulness, impartiality, fairness, and equal opportunity.

Maintaining quality and being considerate of the environment

Upon commencing business with suppliers, we require them to fulfill a series of conditions. These include agreeing with Duskin's management philosophy, having a management philosophy and having a quality control and assurance framework in place, as well as complying with laws and ordinances pertaining to the environment and waste disposal and taking proactive initiatives towards recycling. Additionally, we ask our suppliers to perform self-evaluations based on a unique checklist, and also have Duskin personnel pay them a visit to directly verify onsite initiatives.

Reinforcing partnerships with our suppliers

We believe that it is essential for suppliers to have an understanding of our philosophy in order to facilitate stronger partnerships with those companies. Towards that end, every year, Duskin holds Supplier Study Sessions for sharing information on our business plans (development, sales promotion and purchasing and logistics plans) for the fiscal year at hand in addition to our quality policies and compliance initiatives. During FY2015, the Study Session held by the Clean & Care Group on March 9, 2016 hosted 243 participant suppliers. Meanwhile, that held by the Mister Donut Business Division on April 8, 2016 hosted 84 participant suppliers.

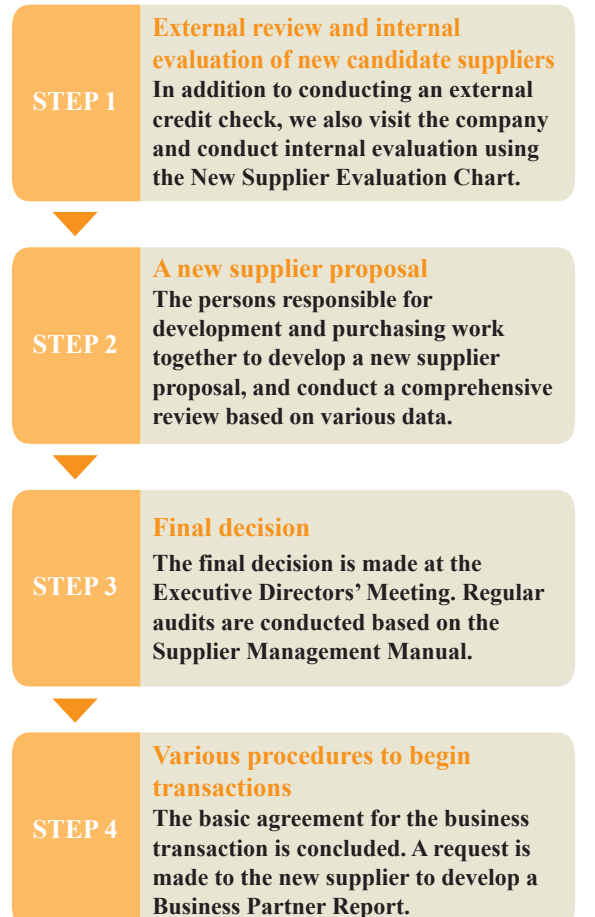


Scene from the Supplier Study Session

Selection of new suppliers

Selection of a new supplier is made based on the prerequisite of a consistently just, fair, and free competition, and the process is completed by following designated procedures in accordance to the rules.

Furthermore, we ask that the candidate suppliers submit their self-evaluations in advance, in order to enhance transparency and to realize mutual consent in the final decision. Clarifying these selection and evaluation standards help to not only ensure quality and the stable supply of the products, but also serve to reduce business risks.



Strong ties between the Head Office and franchisees to support the growth of employees

As seen in the Home Instead business, training programs and a system for mutual learning empower staff members to achieve at highest levels, achievements evident in their heartfelt service and customer care.

The basic foundation for any type of service is the people. At Duskin, each and every employee is ingrained with the awareness that business begins with the development of its people, thus placing importance on developing human resources that not only have knowledge and skills, but also the ability to act from the heart. Our Home Instead business is making efforts to "Sow the Seeds of Joy" by spreading its unique perspective on people and on human resources from its Head Office to the franchisees, employees, and the local community.

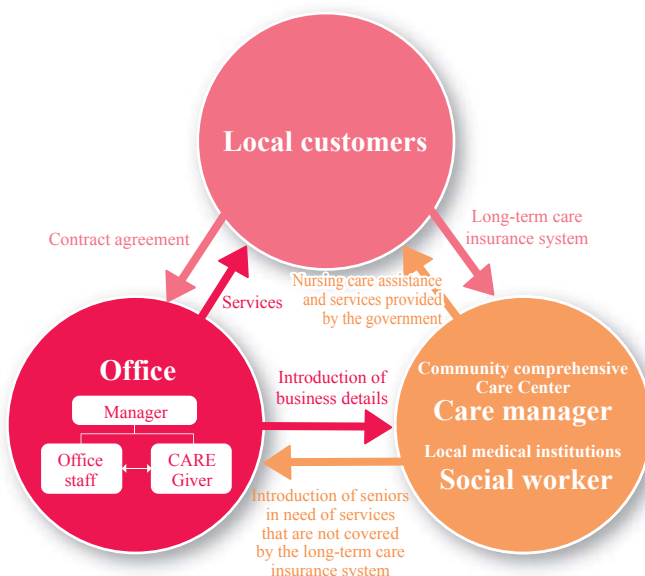
Duskin Home Instead

Assisting the daily lives of seniors in place of their family

Duskin started this area of business in Japan after signing a master franchise agreement with Home Instead Senior Care of the United States in February 2000. Staff that received its unique training answer the different needs of each and every customer on a made-to-order basis; from assisting with chores and errands that the customer may need help with, to doing housework and providing nursing care.

■ Operation of the offices

The Managers visit the local service centers for seniors as well as medical institutions, and upon earning their trust, are introduced to seniors who are in need of assistance. The CAREGivers answer the requests of the customers with attentive care, and office staff also make regular visits to maintain and enhance the quality of our services.



Continuous training programs to enhance the mindset and skills of the CAREGivers

In addition to phased and practical training programs provided to the CAREGivers in accordance with their level of experience, a new Grading Program has also been put in place. These programs are offered on an ongoing basis, while placing importance on mutual learning gained amongst the CAREGivers, so that they can improve their skills in a reliable manner and also achieve personal growth in their mindset. Dementia care training programs have been developed to acquire specialized skills.

■ CAREGivers training program

- 1 Initial training**
Manners, confidentiality obligations, purpose and details of the business, psychology of seniors.
- 2 Basic training**
Safe and reliable service, understanding the unspoken wishes of the clients, basic skills for providing dementia care service
- 3 Practical training**
Assistance to people in wheelchairs, in walking, and in going to the toilet, cleaning and cooking at a professional level.
- 4 Review sessions of individual cases**
Review and discussions on individual experiences of services to share knowledge, and skills and information.
- 5 Continuous training**
Enhanced skills for dementia care service and practical skills, taking action from the perspective of the clients, safety measures.
- 6 CAREGiver Meeting**
Regular programs, such as joint training and award ceremonies to keep the CAREGivers motivated

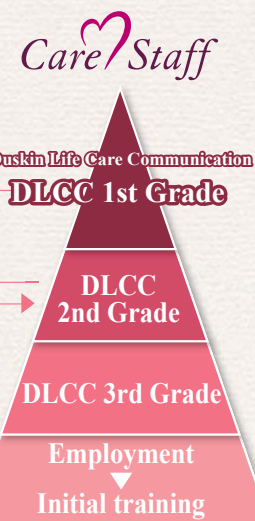
■ CAREGiver Grading Program

Started in FY 2016. CareGivers set goals to aim for and remain motivated. The Grading Program also helps new clients to select our services.

Practice the contents learned from the 8 training programs already received. Achieve the designated level according to the evaluation of the program trainer within the office certified by the head office.
+ 300 days of services and passed test

Physical nursing care training, communication & attentive listening training, dementia care training.
+ Total of 100 days of services and passed test

Initial training, GRAD (psychology of seniors), safety program, dementia caravan supporter training, housework training.
+ 50 days of services and passed test



Home Instead Setagaya Office
where the Manager takes the lead in building trust with the local community and where the employees support each other's growth

The staff of the Setagaya Office. They treasure the ties that bind them like family from having been working together to "Sow the Seeds of Joy."

The reliable office staff with in-depth knowledge of our service provide strong support to the CAREGivers.



Setagaya Office, giving a helping hand to families in need.

Setagaya Office is one of the four company-owned offices. Although the number of staff is small, in one year their performance ranked number one in Japan. We interviewed Yasuko Isoda, Manager who has gained the strong trust not only of the staff but also of the local community, and Akiko Terada, a CAREGiver since the launch of the office, who received the 2015 CAREGiver of the Year award, about their thoughts on their work.

My greatest joy is to be of help to the clients and the staff

Yasuko Isoda

Manager / Certified Care Worker
Home Instead Setagaya Office



When I talk with the care managers and social workers in the local community, they ask me with interest, "Is Duskin involved in the business of providing services to seniors?" Unlike other companies that consign their operations to another company, our strength is in that we employ our own staff, with the company holding responsibility for the work. This allows us to listen to cases where people are struggling with difficulties posed by the obstacles in the framework of public aid, and make efforts to answer their needs even in difficult situations, while maintaining a sense of gratefulness in being asked for our services, which then leads to building real trust.

I visit the clients to whom we have been introduced, and seek to acquire a full understanding of their requests. On the first day, I make sure to visit together with a CAREGiver, to give instructions and to confirm the services that we provide. I also go on follow-ups, and when there is a particularly difficult situation, I make an effort to take the initiative in actually going in and providing services myself.

Duskin's philosophy is connected to the welfare business. I think it is wonderful that Duskin is involved in this Home Instead business, and that I am able to be a part of this. The extensive training programs help us learn from and support one another, and share with the staff not only the skills necessary for providing care, but also the elements that come from the heart as we go about in our work, so that we can all continue to grow together.

I receive great support from the office staff, who listens and gives advice with attentive care when things are difficult.

Akiko Terada

CAREGiver
Home Instead Setagaya Office



CAREGivers go out and visit our clients during the day, and end the day's services by making a report to the office by telephone. This telephone call serves as my greatest support when things are difficult. No matter who among the office staff takes the call, they listen to me very sympathetically, and give me sound advice, both mentally and in terms of skill. Even if I am feeling depressed, it makes me feel like I can face another day as the office staff recognizes my efforts saying, "You are doing well with your efforts."

It is because I am backed by the high quality trainings, daily practical work, and the warm-hearted support of the people in the office that I have been able to continue in this job for such a long time, even while I was raising my child. Also, when I see the Manager working endlessly for the clients and the CAREGivers, without giving thought for herself, it makes me realize that this is what it truly means to "Sow the Seeds of Joy" and think that I want to be doing this, too.

I look forward to the newly implemented Grading Program. I will continue to make efforts to achieve further growth by learning from the training programs, the clients, and those around me, so that I can receive as many words of thanks as I can in the future.



Nurturing people who support each other and take on challenges to achieve personal growth

At the core of all services and product is "people."

In addition to our focus on development of people who care, we will continue to promote a workplace that respects the individuality of our staff members and the diverse values they hold, and a workplace that empowers them to achieve their maximum potential.



Basic HR data

		As of March 31, 2014	As of March 31, 2015	As of March 31, 2016	Notes
Number of employees (consolidated)*1	Male	2,291	2,306	2,350	Number of permanent and non-permanent employees (excl. officers and temporary workers)
	Female	1,261	1,181	1,188	
	Total	3,552	3,487	3,538	
Number of newly-entered employees*1	Newly-graduated	37	24	30	Number of newly-entered permanent employees Includes employees locally hired overseas
	Midcareer hires	123	118	112	
Number of employees promoted to permanent status *1		18	28	36	Number of non-permanent employees promoted to permanent status
Number of permanent employees who resigned*1		123	115	142	Excludes permanent employees who retired mandatorily
Number of employees who suffered work injuries*1	Death	0	0	0	Injuries requiring a leave of absence of at least 4 days
	Severe	27	47	42	
	Mild to moderate	194	185	172	Injuries requiring a leave of absence of 3 days or less
Status of union participation*1	Number of employees	2,993	2,989	3,021	
	% of employees	100	100	100	
Companywide training: Yearly hours of training per employee*1		12.0	6.9	9.5	Excl. business-specific training
Average age*2	Male	44.9	45.6	46.0	
	Female	41.5	42.2	42.3	
	Overall	43.9	44.5	44.9	
Years of employment*2	Male	17.4	18.0	17.9	
	Female	12.6	13.4	13.4	
	Overall	16.0	16.7	16.5	
Grade of employee survey*2		—	3.83	3.78	Out of a maximum grade of 5.00

*1 Duskin and its (consolidated) subsidiaries
*2 Duskin (non-consolidated)

System for promotion to permanent status

For our employees to work with a sense of vitality and motivation and our company to become invigorated, it is important that we aggressively promote highly skilled and ambitious talent and create an environment where they can fully manifest their ability and experience. We have a system in place that promotes non-permanent employees who fulfill certain standards to permanent status. From FY2016, a new course was added within the permanent employee category, which has expanded the scope of employees eligible for promotion.

Employee surveys

We conduct these surveys as one of our corporate culture reforms and gauge the climate and vitality level of our workplace from multiple angles for making Duskin a better place. We use the results garnered from surveys conducted over time to visualize changes in our corporate culture and act as indicators for measures that have been implemented. By sharing analyses of those results through internal newsletters and other means, we are collectively endeavoring to improve employee awareness.

Human resources development

Education and training programs

Duskin promotes a variety of educational and training endeavors in order to develop human resources who understand our management philosophy of "Prayerful Management" and are able to espouse that philosophy as the source of all of their actions. To enable each and every one of our employees to master the knowledge and skills they need to effectively fulfill their designated roles, in addition to offering rank-specific training for new and existing employees, we also focus on the development of area managers to invigorate franchised locations. We also place

value on a stance of autonomous learning by encouraging self-development through acquiring official certifications and taking correspondence courses. Furthermore, new curriculums were added to the companywide education system in order to support the development of the employees' careers and to promote the active participation of women in the workplace.

In FY2015, a total of 12,638 employees participated in education and training programs in accordance to their objectives and careers to enhance their knowledge and skills.

Companywide education system

Rank	Rank-specific	Career development	Post-specific	Companywide	Business division-specific			Self-development								
					Dust Control	Care Services	Mister Donut									
Total number of participants	292	593	220	6,872	1,117	174	2,967	403								
Managerial position	Senior management	Effective communication	Overseas training	Career design study	Area Manager training	Management philosophy	Six sigma workout (continuous process improvement)	Manager Training	Compliance	Post-specific training	License acquisition training	License acquisition/renewal training	Post-specific training	License acquisition/renewal training	Self-development support (correspondence course)	Qualification acquisition incentive program
	Management															
Leader position	Leader (Chief)	Next-generational-leaders	Area Manager training	Management philosophy	Six sigma workout (continuous process improvement)	Manager Training	Compliance	Post-specific training	License acquisition training	License acquisition/renewal training	Post-specific training	License acquisition/renewal training	Self-development support (correspondence course)	Qualification acquisition incentive program		
	Leader (Senior staff)	Career development														
	Leader															
	3rd year review															
Development	6 months/first/second year review															
	Ittoen Chitoku training															
	New employee training															

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.
- ◎Make an organized effort to include the perspective of women in management. Improve the work environment for those in managerial positions. Nurture the sensibilities that allow our employees to capture the diverse needs of the market. Create a climate that gives women a sense of fulfillment and encourages their more active participation.

Duskin School

This educational center for all Duskin businesses provides franchise owners, staff members and managers responsible for developing our business across Japan with comprehensive learning that covers everything from our management philosophy to operation knowhow. With its highly-experienced instructors, wide-reaching training curriculum and considerable equipment, Duskin School gives those individuals a venue for mastering knowledge and skills. Participants in the business-division-specific training programs in FY2015 totaled 1,291 employees, with a total of 17,901 hours.





Nurturing people who support each other and take on challenges to achieve personal growth

Regional Training Centers

To gain the trust of our customers, in addition to developing superior products and services, having staff with specialized knowledge deliver those products and services is a must. Through our Regional Training Centers that we have set up in eleven locations across Japan, Duskin seeks to improve the services and technology that we offer. At the Centers, we also conduct ongoing training tailored to the attributes of the local market.



Scene from training at a Regional Training Center

Example of efforts

Development of sanitary management professionals

Duskin's Hygiene Masters are in charge of preparing the very best hygienic environment for our customers' businesses. At food service establishments, we use measuring instruments to quantify the level of dirt in kitchens, and check twenty items that include temperature control for refrigerators. We then prepare a survey report that helps customers ascertain their current situation, improve problematic areas and sustain remedial effects, and supply advice on how to prevent hygienic risks. At our Duskin School training facility and Regional Training Centers across Japan, we develop these Hygiene Masters by providing thorough instruction in sanitary management beginning with the basics. Trainees conduct a continuous series of role-playing exercises. They also evaluate sanitary conditions at customers' places of business.



Mister Donut College

This facility is a place for employees to learn not only about donut-making and customer service techniques, but also about the philosophy of Mister Donut and the mental posture for serving our customers. Through forming teams and engaging in practical-heavy learning, trainees develop a thorough mastery of knowledge regarding food and hygiene, product quality control, and store maintenance and management. Only those who satisfy established standards may supervise Mister Donut shops across Japan. Participants in the business-division-specific training programs in FY2015 totaled 2,967 employees, with a total of 42,429 hours.



Scene from training at Mister Donut College

Example of efforts

Development of Mister Donut shop managers

In order to become the manager of a Mister Donut shop, employees need to pass a rigorous exam and acquire a license. New franchisee managers learn our Management Philosophy and shop operation standards over a 49-day curriculum. For the sixteen-day curriculum to acquire a shop manager's license, employees are asked to relearn the donut-making process from the ground up, and also receive a thorough education in shop operation knowhow while engaging in repeated discussion with their fellow employees from all over Japan. The shop manager license must be renewed every two years, so that our managers continue to remain focused enhancing their skills and on serving our customers.



Work-life balance

Policy for promoting work-life balance

We have formulated and continue to promote our action plans so that we may establish an environment where our employees can achieve a balance among their work, childrearing and home life, and to also demonstrate their individual potential to the fullest and be evaluated appropriately, thereby boosting their motivation and sense of accomplishment and satisfaction.

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, hobby and faith (as in, being thankful and reflective).



Initiatives

Action plans have been developed based on the Act on Advancement of Measures to Support Raising Next-Generation Children. These action plans, now in its fourth term, will promote a variety of initiatives during a three-year period from FY2016 to FY2018.

Action Plan 1

Carry out initiatives for promoting work-life balance

- Continue "No Overtime Work Day," and review programs to further popularize this practice.
- Encourage employees to take paid vacation leave (five consecutive days).
- Continue "Family Participation Day" and supply venues for interaction by workplace managers and colleagues with employee family members.

Action Plan 2

Carry out initiatives geared toward promoting the utilization of programs that assist the realization of a balance among work, childrearing and nursing care

- Give support towards employees on childcare leave and to those returning to work after leave.
- As an effort to increase opportunities for men to participate in childrearing, encourage male spouses to take paternity leave.
- Consider providing information, etc. on nursing care.

Assistance programs for a balance among work, childrearing and nursing care

To do our part to help alleviate social issues such as the rapidly declining birthrate and aging population, Duskin has put programs in place to address childrearing, leaves of absence for nursing care purposes, and other non-work obligations of employees, and is currently promoting initiatives that help employees achieve a work-life balance.

For employees who are pregnant or are currently raising children who are no higher than Grade 6 in Japanese elementary school, or those who are providing nursing care to family members, we offer our "Four-Leaf Shift" program that enables employees to advance or delay the start of their work day by up to 1.5 hours. For employees who had no choice but to resign from Duskin for reasons related to the likes of childrearing and nursing care, we offer our "Four-Leaf

D-Turn" program that allows them to return to work. Additionally, for employees in the middle of raising children, we have introduced multiple programs that include reduced work hours for childrearing where the hours at work are shortened by a maximum of two hours a day until their children turn the age of three, and by a maximum of one hour a day from the time when their child turns three years old until the end of the child's first year of elementary school.

Duskin has also established an environment that enables employees who need to provide nursing care to family members to take nursing care leave and to use accumulated paid holidays.

		As of March 31, 2014	As of March 31, 2015	As of March 31, 2016
Yearly total hours worked per employee		1,955	1,944	1,918
% of paid vacation leave taken		49.6	50.7	48.1
Number of employees who took maternity/paternity leave	Male	0	0	0
	Female	30	27	36
Number of employees who took nursing care leave	Male	0	1	0
	Female	4	0	0

Note: Duskin and its (consolidated) subsidiaries



Four-Leaf D-Turn (work reinstatement program)



Nurturing people who support each other and take on challenges to achieve personal growth

Diversity

Diversity and inclusion

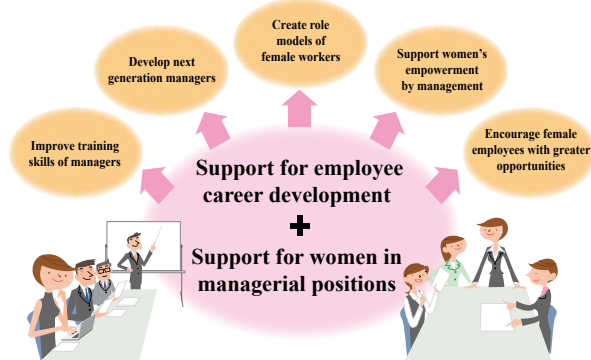
At Duskin, where management has, from its founding, emphasized the nurturing a work climate of appreciation for and among all employees, diversity means employees respect the diversity of the individual, regardless of gender, age, nationality, career, lifestyles, or any other factors. In this work environment where respect and appreciation are fostered, all employees are

able to exert their talents to the maximum of their individual potential. In our efforts to respond to the changing business environment and the diversifying customer needs, our initiative to promote diversity and inclusion enables us to continuously create new values. By embracing diversity, Duskin will become more proactive, stronger and more competitive.

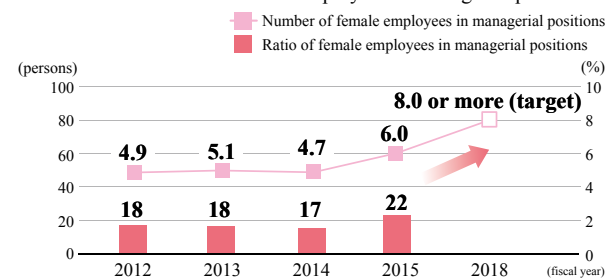
Women's empowerment in the workplace

An Action Plan was developed in accordance with the Act of Promotion of Women's Participation and Advancement in the Workplace. The first term of this Action Plan was set for a three-year period from FY2016 to FY2018. Included in our initiatives are supporting women in their career development and nurturing an inclusive corporate culture and work environment.

Aim of Action Plan



Number and ratio of female employees in managerial positions



Note: Duskin (non-consolidated)

Target

- Increase the ratio of female employees in managerial positions to 8.0% or more

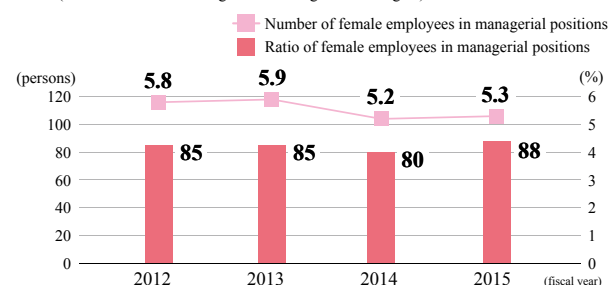
Initiatives from FY2016 onward

- Educational sessions for management level personnel to help them motivate their team members
- Educational sessions for assistant staff members to motivate them to advance to managerial positions
- Select about 10 persons every year from chief staff members and provide them with career training for management positions

Promoting female Area Managers

Since many of Duskin's customers are women, we should provide products and services that are convenient and comfortable from women's perspective. Thus, in addition to making active efforts to utilize the sensibilities of women in

Number and ratio of female employees in managerial positions (Duskin's consolidated figures including Area Managers)



Note: Duskin and its (consolidated) subsidiaries

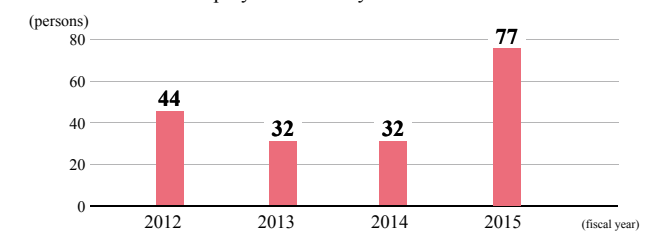


Giving support to franchise offices as a female Area Manager

Re-employment system for mandatory retirees

Japan's increasingly aging population has brought about changes in the nation's social security system. Along with those changes and other factors, there have been increasing calls for greater opportunities to continue working following mandatory retirement. This also ties into the social issues of needing to compensate for manpower shortages and to have older employees impart the knowledge and experience that they have accumulated over years to the next generation. Duskin has a program in place that re-employs employees after the mandatory retirement age of 60 up until the age of 65. As a general rule, those employees are asked to continue duties in the department that they worked at the time they retired. This system leverages those employees' experience, and enables them to both demonstrate their ability and share their knowledge.

Number of re-employed mandatory retirees



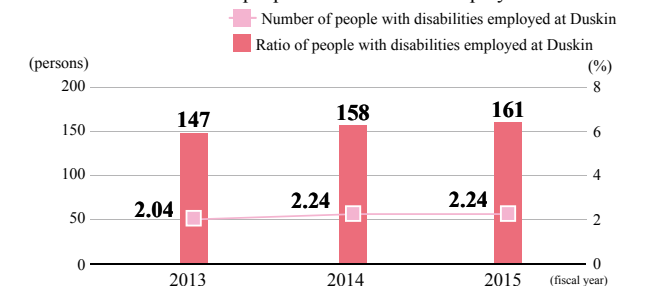
Note 1: Number of newly re-employed retirees during each fiscal year
Note 2: Duskin and its (consolidated) subsidiaries

Hiring of people with disabilities

We believe it is also the social responsibility of corporations to provide employment opportunities to people with disabilities. These employment opportunities are individually matched to the capabilities of the recruited people with disabilities. Since 1981, through The Duskin AINOWA Foundation, Duskin has been helping to provide opportunities for people with disabilities to learn about advanced forms of welfare. Duskin has provided places of employment where people with disabilities are accommodated and enabled to contribute to the demands of their work.

Duskin was recognized for these initiatives with the FY2014 Health, Labour and Welfare Minister's Award for Outstanding Offices for the Employment of Persons with Disabilities. Going forward, Duskin will continue to actively address the promotion of the employment of people with disabilities and do its part to realize the creation of a society where everyone can live with a sense of active participation and spiritual enrichment.

Number and ratio of people with disabilities employed at Duskin



Note 1: Situation of employment of people with disabilities as of June 1 of every year
Note: Duskin and its (consolidated) subsidiaries



Ceremony for receipt of the Health, Labour and Welfare Minister's Award

Hiring of people of foreign nationalities

In order to answer the heightened needs for assistance with household chores, Duskin has been approved as a designated business organization within Kanagawa Prefecture that is able to participate in the trial run of the "Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones." Having received this approval, Duskin is working to hire people of foreign nationalities, and to plan and implement educational and training programs with the aim of beginning services within FY2016. After Kanagawa Prefecture, Duskin is also scheduled to enter into this business in the Osaka City area.

Source: Summary of a part of the overview on the "Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones" by the Office for Promotion of Regional Revitalization of the Cabinet Office
www.kantei.go.jp/jp/singi/titiki/kokusentoe/pdf/gaiyou_Japanese.pdf

Utilization of foreigners in housekeeping services





Contributing towards environmental conservation

Duskin was founded on a recycling-oriented business model that rents cleaning equipment. Our area of activities has expanded since the time of our founding, but we still continue to promote businesses that take consideration towards our global environment.



Environmental management

Duskin's Environmental Policy Statement

After formulating the "Environmental Philosophy" and "Environmental Policy" in 1998, we started our initiatives to obtain ISO14001 certification in 1999. In 2008, Duskin issued the "Environmental Policy Statement" and is continuing environmental conservation efforts across our businesses.



Symbol mark for ECO-Concern

Sowing the Seeds of Ecological Responsibility for the Future

Duskin started its business by renting out cleaning tools. It has always promoted the philosophy that things should be used to their fullest extent or to the end of their useful life. This philosophy conserves natural resources, protects mother Earth.

Duskin will review its business activities and all phases of the life cycle of its products from product development to processing, delivery and recycle or disposal after the end of their useful life. With a focus on repeated use, shared use, reduction of wanton waste and disposables. Duskin continues to increase its efforts to protect the environment.

Along with the philosophy of "Sowing the Seeds of Joy," Duskin will endeavor to enhance its ecological preservation initiatives through building upon simple and familiar actions for the future of all.

Duskin's Environmental Policy

Duskin strives to achieve the joint objective of engaging in sound business activities and environmental conservation. We provide products and services that are safe, reliable, and environmentally friendly throughout the phases from production to after-use. We seek to lessen negative impacts on the environment in the following areas:

1 Designing, development, and selection of products and services

We look at all phases of product lifecycle, from procurement of raw materials, to the production, delivery phases to use by customers, and ultimately, collection and disposal after use. During each phase, we develop, select and provide safe and reliable products that contribute to reducing negative impacts on the environment. Through promoting recycling products and materials, we utilize the materials to their fullest.

2 Plant operation

We devote our efforts for resource and energy-saving plant operation. While reducing the waste and emission that negatively affect our environment, we promote more effective use and recycling of waste and emission. We work for effective plant operation that prevents from pollution and accidents.

3 Distribution, sales and promotional activities

We pursue effective and efficient product distribution, delivery and sales activities. We reduce auto emission, and CO₂ emission caused by our use of vehicles. We promote and sell products and services that are more effective for environmental conservation.

4 Offices, facilities and equipment

We operate our offices in a more resource- and energy-saving manner. Through green purchasing, we promote the use of goods that has less adverse impact on the environment.

5 Contribution to building community

In addition to complying with laws and regulations, we actively participate in social programs for environmental preservation. We also review environmental conservation measures that our company can contribute to, and put them into practice.

Duskin's four eco-friendly approaches

Repeated Use

97% of collected mops and mats are reprocessed to be delivered to customers. Duskin has engaged in recycle-oriented business activities through repeated use of our products.

Reduction

Duskin has made utmost efforts to reduce any negative impacts on people or the environment in the areas of chemical usage or application methods in both cleaning services and pest control services.

Shared Use

By promoting "sharing one item with others," Duskin makes effective use of limited resources through its multitude of rental service products, including baby-care items and nursing-care and assisted-living equipment.

No Disposal

Mister Donut has primarily used ceramic or glassware for tableware at shops to reduce trash disposal, promoting "No disposal." *Exceptions include food court shops.

Environment management structure



Environmental training

Initial environmental training sessions are conducted as part of an educational program for our new employees. During these sessions, new employees learn about environmental issues and environmental conservation efforts by companies and information disclosure system. These sessions provide the participants to exchange their views on how Duskin can enhance its contribution to environmental conservation through our business. By raising environmental awareness among new employees, we strive to develop those who will take initiative in promoting environmental management in the future.



Environmental training session

ISO14001 Certification

In 1999, Duskin started initiatives to obtain certification of ISO14001, the international environmental management standard, and obtained the certification in our five businesses. Although we returned the certification on Food Group in 2013, we continue our efforts to conserve the environment. In 2015 Clean & Care Group acquired integrated ISO14001 certification for Dust Control Business, Care Service Businesses and Rent-All Business (registration number: JQA-EM1552).



Production & Logistics office and 48 plants

- ◎Certification organization: Japan Management Association
- ◎Registration number: JMAQA-E095
- ◎First registration: March 3, 2000



Clean & Care Group office / franchise offices (Dust Control Business, Care Service Businesses, Rent-All Business)

- ◎Certification organization: Japan Quality Assurance Organization
- ◎Registration number: JQA-EM1552
- ◎First registration: April 27, 2001



Contributing towards environmental conservation

Environmental Data

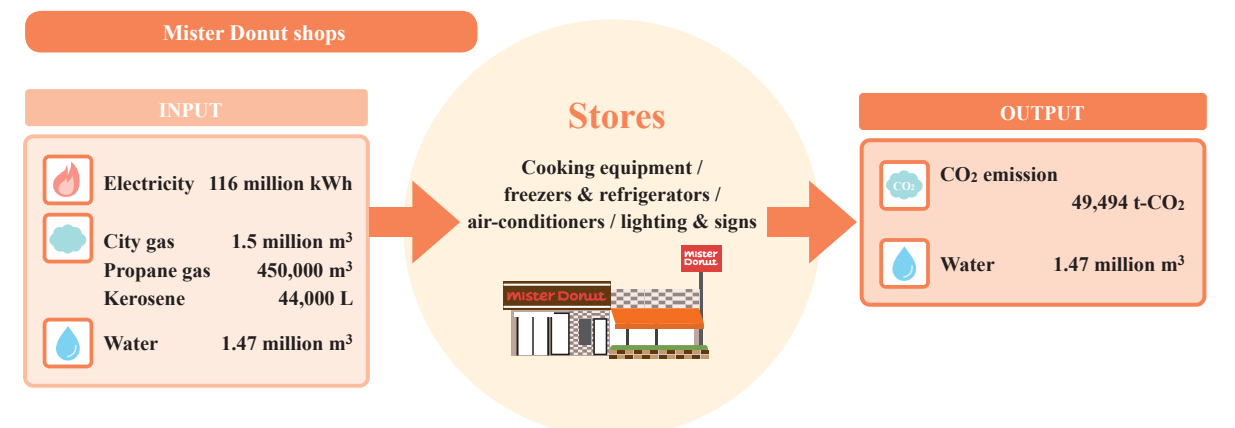
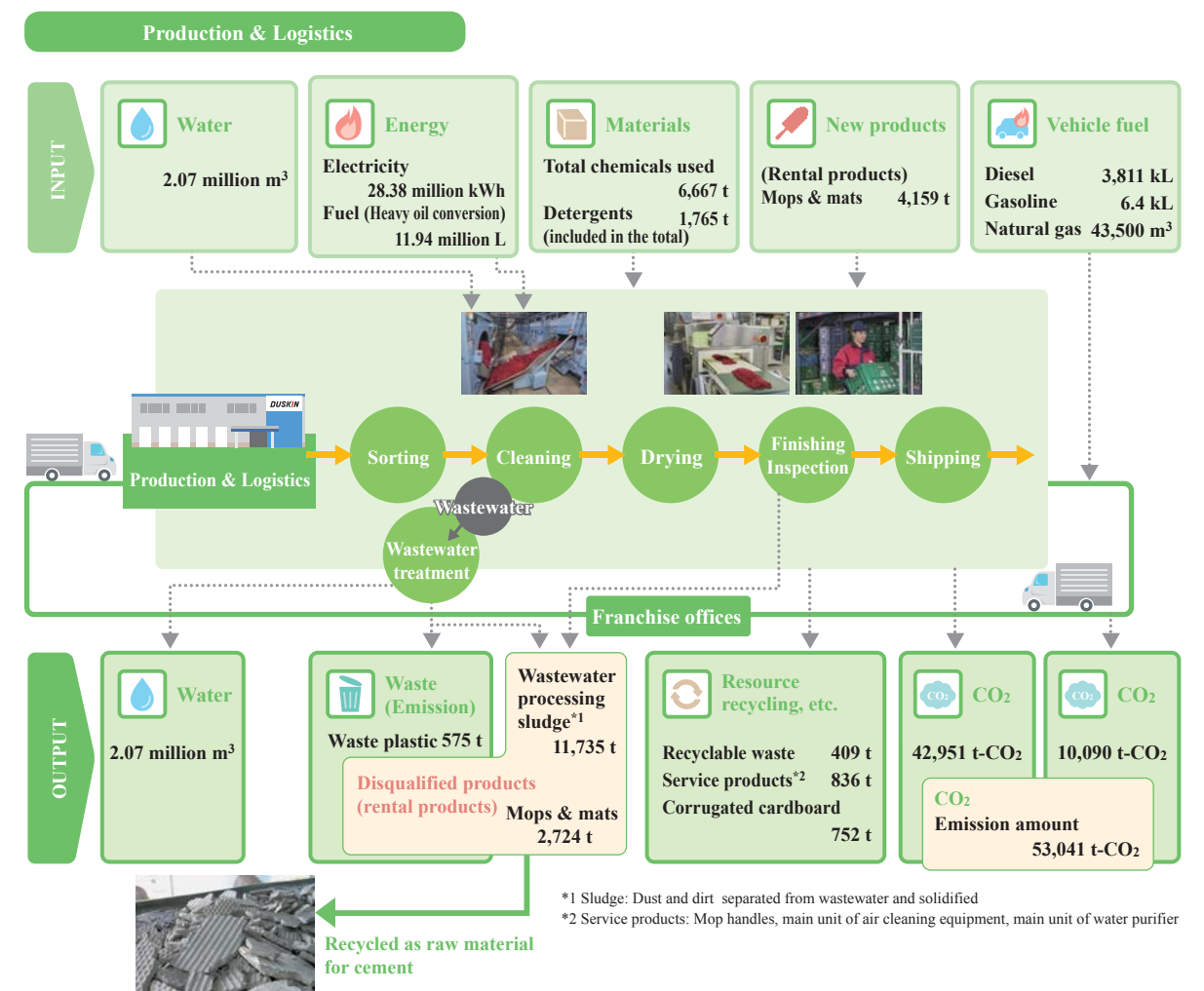
Duskin has been delivering products to customers through its rental business system since its founding. With our policy of "using things to their fullest extent" shared among all our business segments, we continue our environmental conservation efforts with our four eco-friendly approaches: repeated use, shared use, reduction, and no disposal.

► Environmental Data

	Category (goals)	Resource conservation initiatives	2013	2014	2015	Change
Production & Logistics offices (48 plants)	Reduction of fuel use (conversion to heavy oil)	Warming the pipelines and tanks at 40°C or more, drying settings by season, regular cleaning	12.5 million L	12.09 million L	11.94 million L	-1.2%
	Reduction of electricity consumption (gross)	Enhance energy conservation, optimizing cooling time, inverters for various motors	32.06 million kWh	29.59 million kWh	28.38 million kWh	-4.1%
	Reduction of CO ₂ emission	Energy-saving equipment, reducing fuel use by low-temperature cleaning process	45,832 t-CO ₂	43,822 t-CO ₂	42,951 t-CO ₂	-2.0%
	Enhance fuel efficiency of delivery vehicles	Reduce sudden acceleration and stops by practicing eco-driving, prevent driving over the speed limit	6.63 km/L	6.72 km/L	6.79 km/L	1.0%
	Reduction of CO ₂ emission of delivery vehicles	Improve transportation efficiency by reviewing the routes, load efficiency	10,000 t-CO ₂	10,015 t-CO ₂	10,090 t-CO ₂	0.7%
	Effective utilization of water resources	Water outflow at the self-imposing standard stricter than laws and regulations, reuse of some processed water for washing	2.14 million m ³	2.07 million m ³	2.07 million m ³	0.0%
	Reduction of detergent use	Reducing detergent use by specially processing laundry water	1,830 t	1,766 t	1,765 t	-0.1%
	Reduction of waste / recycling	Dust on rented products: Cleaned and used as raw material for cement	12,511 t	12,081 t	11,735 t	-2.9%
		Disqualified products (rental mops and mats): Used as fuel at cement company	2,840 t	2,625 t	2,724 t	3.8%
		Recyclable waste and service equipment: Recycled by recycling company Corrugated cardboard: Recycled as recyclable used paper	1,673 t	2,398 t	1,997 t	-16.7%
	Solar power generation system	Number of offices implemented with solar power system	5 locations	5 locations	5 locations	—
Head Office & affiliated companies	Reduction of electricity consumption (gross)	Room temperature control through the use of "cool-biz" and "warm-biz" dress codes, posters introducing efforts to conserve energy, change to new energy companies, solar panel installation	36.30 million kWh	35.95 million kWh	39.18 million kWh	9.0%
	Use of copying paper (gross)	Purchase and use products that match our green purchasing guidelines	72.3 t	71.0 t	70.9 t	-0.1%
	Number and ratio of low-emission vehicles	Vehicles that match our green purchasing guidelines	2,461 vehicles	2,595 vehicles	2,638 vehicles	1.7%
Mister Donut (Shops in Japan)	Monthly power consumption per store	Change dishwashers, refrigerators, and freezers to eco-friendly models, change to LED lighting	8,017 kWh	7,963 kWh	7,642 kWh	-4.0%
	Reduction of energy consumption at all stores (gross)	Energy management: controlling temperatures of air-conditioners, reviewing lighting arrangement, turning off the lights in the backyard when not in use, checking utilities meters, controlling the maximum demand power amount (demand value) by reducing the simultaneous use of equipment	129 million kWh	125 million kWh	116 million kWh	-7.2%
	Reduction of city gas consumption at all stores		1.7 million m ³	1.69 million m ³	1.5 million m ³	-11.2%
	Reduction of CO ₂ emission at all stores		54,289 t-CO ₂	53,049 t-CO ₂	49,494 t-CO ₂	-6.7%
	Reduction of water consumption at all stores		1.63 million m ³	1.59 million m ³	1.47 million m ³	-7.5%
	Discarded donuts per month per store	Review the production schedule, and production control with the use of the disposal check list	5,467 donuts	6,052 donuts	5,771 donuts	-4.6%
	Stores recycling leftover donuts into animal feed	Unsold donuts after store closing are reprocessed as feed at processing plants	490 stores	503 stores	478 stores	-5.0%
	Recycling of used oil at all stores	Utilized as raw material for feed, boiler fuel, industrial raw material, and liquid detergent	441 t	407 t	411 t	1.0%
	Stores recycling used oil	Implemented based on the guidelines	All stores	All stores	All stores	—
	Promoting LED light use in the stores	LED lightings at new shops and remodeled shops	186 stores	237 stores	282 stores	19.0%
Specified Chain Business Operator by the Energy Saving Act	Crude oil conversion		41,349 kL	40,692 kL	38,365 kL	-5.7%
	Rationalization of energy usage	CO ₂ emission (actual emission)	90,942 t	89,125 t	82,124 t	-7.9%

Material Balance

At Duskin, we focus on understanding the entire picture of environmental loads in the lifecycle of our rental products (through washing, finishing, and shipping processes) as well as in other businesses.





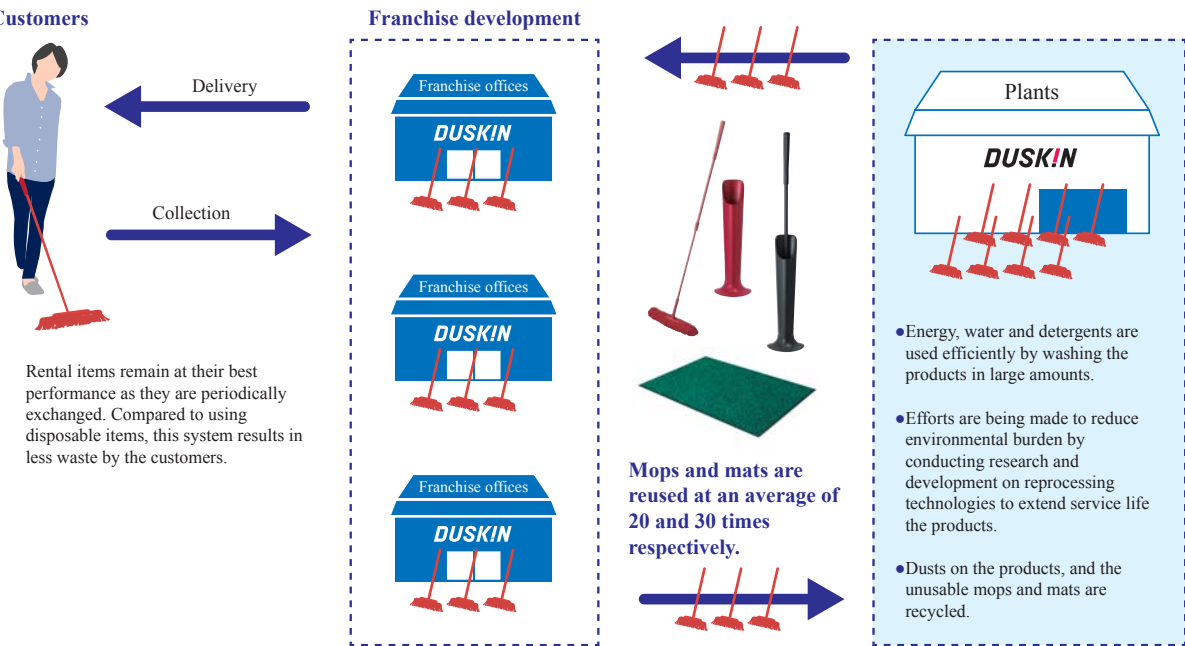
Contributing towards environmental conservation

Initiatives towards a recycling-oriented society

Duskin established a system for the rental of cleaning equipment in Japan. As reflected in this rental system, Duskin operates its business activities based on the idea of "using things to their fullest extent," practicing repeated use, shared use, and the reduction of wanton waste and disposables.

Duskin's recycling-oriented rental system business

Our product rental system gives us an advantage in managing effective control over environmental impact in all processes involved in their life cycles. We encourage eco-conscious business operations throughout all phases of product lifecycle, from product development to reuse, recycling, and disposal after use.



Reduction of waste

Our Production & Logistics strives to limit the generation of waste. Effective use of resources are made possible by changing the way they are used: for example, mops that can no longer be used as products are reused as industrial mops.

Also, products other than mops and mats that can be recycled are collected under the responsibility of the Duskin offices and then sent to recycling companies via our plants, so that nearly 100% are recycled as recyclable materials.

Major recycling results for FY2015

Target items	FY2015	Summary of recycling and processing method
Dust on the rented products (Washed and used as wastewater processing sludge)	11,735 t	Used as raw material for cement at cement companies
Products disqualified by inspection (mops and mats)	2,724 t	Used as fuel for cement at cement companies
Service products (handle of mops, main unit of water purifiers, etc.)	836 t	Recycled after being dismantled and separated by material

Eco-friendly products and services

Duskin is making effective use of resourcesfor developing our products. For technical services, our Care Service staff, who possess professional expertise, work with the attitude of taking good care of, and making effective use of, things in the same way as the customers would want and would care.

Mops for commercial use

We recycle precious resources in the production process of our core mop products for commercial use. Unused scraps including short fibers generated during the textile spinning process, that were disposed in the past, are now recycled into mop piles. The products are thus granted Eco Mark Certification.



Mats for commercial use

Among our eco-friendly products, some of our commercial mats use pile material made from recycled polyester from PET bottles. While making use of environmentally friendly material, these mats also meet our standards: they have excellent dust control and water absorption function required for dust control mats.



Non-woven-type range hood filter

This popular, affordable and highly safe filter quickly absorbs grease into its fibers. A part of its material uses biomass plastic* made from corn.

* Biomass plastic is a new plastic material that uses recyclable organic resources from plants as its raw material. It is attracting attention as plastic that can be produced sustainably from organic material rather than from petroleum, as petroleum is not only a factor contributing to global warming, it is also in danger of depletion from extensive use.



Saving energy with air-conditioner cleaning

Electricity conservation continues to be an important social issue. Air conditioners account for a large percentage of total energy use, especially during the daytime in summer. Measures, such as regular cleaning of the filters, are effective in saving electricity. In Duskin Service Master air conditioner cleaning service, professionally trained staff members partially dismantle air conditioners and clean the internal parts. This helps improve air volume and cooling/heating efficiency, and also contributes to reducing electricity use.



Cleaning air conditioner for residential/commercial use

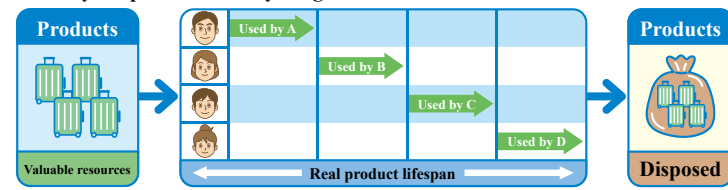


Contributing towards environmental conservation

Rental system of our Rent-All and Health Rent businesses

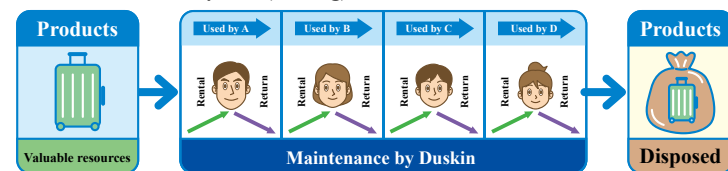
Duskin conducts rental business of baby-related goods, travel items, and special event items, as well as home health care equipment.

If everyone purchases everything...



Baby-related goods, home health care equipment travel items and items for events are expensive to purchase, while they are only used for a limited time. Purchasing these items can lead to wasteful use of resources. Owning these items also add the responsibilities of disposal of no longer needed items on the purchasers. Renting these items is a good option for Duskin's customers.

>If Duskin's rental system (sharing) is used



Returned products are thoroughly maintained. Shared use makes it possible to have the use of needed items only when they are needed, and at low cost. This rental system helps maximize the product value and reduce needless waste.

Shared use promoted by Duskin's Rent-All

Duskin Rent-All rents 33,600 baby beds*1 a year. If all of these beds were purchased instead, many resources would be used to make 33,600 beds each year. With the rental system, the needed number of beds totals approximately 15,100*2. We can help conserve resources and reduce waste if everyone shares the use of baby beds, travel products, and daily use items instead of purchasing them. For various events, Duskin not only rents equipment and items, it also provides the know-how for event preparation and operation. Duskin offers effective proposals that also take care of our environment.

●In the case of baby beds



*1 Number of rented beds from April 2015 to March 2016

*2 Number of owned baby beds

Example of efforts

To help spend day-to-day life feeling secure

As people grow older, they gradually become unable to do the things they were once able to do. In order to dispel anxieties that seniors may have, Duskin provides them with total support in their daily life by offering them with home health care equipment on a rental basis.

Common concerns about our rental service include "What kind of equipment should I choose?" "Can I borrow it right away?" "Does the equipment have any quality issues?" In our Health Rent business, we answer each and every one of these questions with empathy. Duskin and its cadre of professionals constantly keep abreast of knowledge regarding the latest equipment and the most recent information concerning care so that we can provide our senior customers with equipment that suits them given their differing physical state and living environment. This is a testament to our commitment to ensuring that they are able to live their lives in greater peace and comfort. By supplying equipment made for facilitating user independence and offering ease of use by care providers, Duskin helps make daily living for seniors more comfortable.

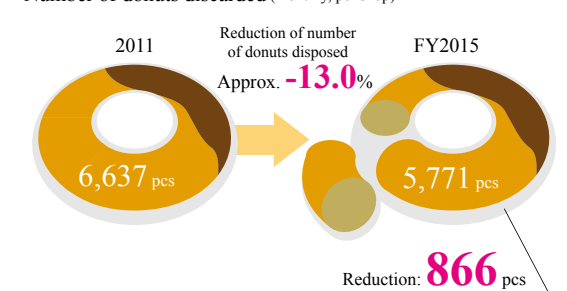


Recycling and resource-saving efforts

Reduction of disposed donuts and recycling into raw materials

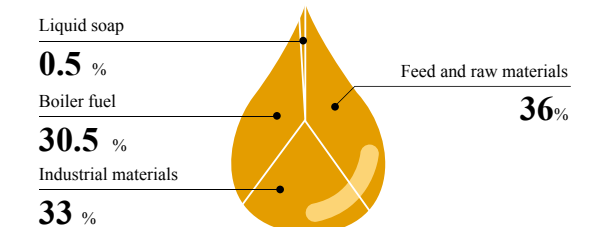
Mister Donut has reviewed production schedules and conducted management controls by using a disposal checklist to maintain the desired number of donuts to be discarded. At 478 shops (approx. 38% of the whole system) in Kanto and Tokai areas, unsold donuts are reprocessed in processing plants into feed as part of our recycling efforts.

●Number of donuts discarded (monthly, per shop)



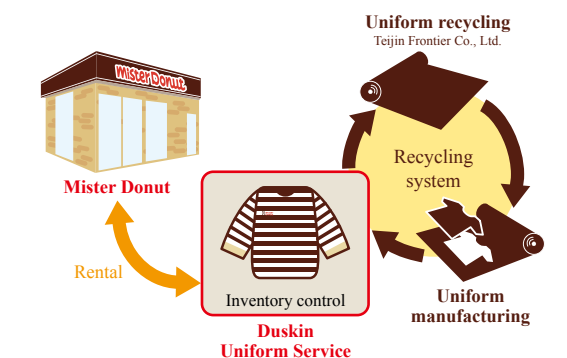
Recycling of oil used for cooking donuts

All the used oil is collected and recycled into feed and industrial materials, and re-processed into liquid soap used in our shops. It is also utilized as fuel for boilers at Duskin's laundry plants where mops and mats are washed.



Eco-friendly uniforms

Recyclable polyester material is used for Mister Donut uniforms. Using recycling technology by Teijin Frontier Co., Ltd., the fibers are recycled into new fibers, which can make materials recyclable. Employing this material enables us to make uniforms that are semi-permanently recyclable.



Use of ceramics and glass tableware

Since 1974, Mister Donut has used ceramic and glass tableware to reduce discarded paper containers and other waste. (Since use of ceramic cups and dishes or glasses are restricted at shopping mall food courts, paper cups are used instead.)





Contributing towards environmental conservation

Energy conservation and global warming countermeasures

Duskin is designated as a Specified Chain Business Operators by the Energy Saving Act, and works together with its entire franchise chain to reduce greenhouse gas emission through promoting energy-conservation activities.

▶Submitted report on energy usage (Specified Chain Business Operators by the Energy Saving Act*)

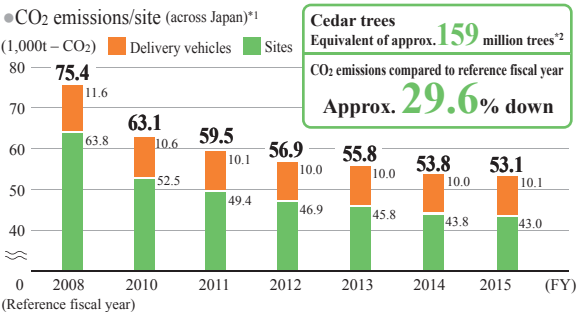
Applicable energy	FY2013	FY2014	FY2015	Compared to FY2013
Crude oil conversion	41,349kℓ	40,692kℓ	38,365kℓ	-7.2%
CO ₂ emission amount (actual emission)	90,942t	89,125t	82,124t	-9.7%

* Specified Chain Business Operators
• Clean & Care Group: Head Office: Company owned offices within Japan
• Food Group: Company owned shops and restaurants, some affiliated companies, franchised locations
• Production & Logistics: Company owned comprehensive plants (Osaka Central Plant, Yokohama Central Plant)

CO₂ emission reduction at Production & Logistics

Duskin strives for energy loss reduction at its Production & Logistics sites by introducing power-saving equipment, performing periodic equipment maintenance, streamlining facility operations and saving electricity. Transportation efficiency is also improved by reviewing more efficient delivery

routes. Drivers are encouraged to drive eco-consciously on a daily basis. This also promotes safe driving by preventing hard acceleration, heavy breaking, and over speed.



*1 CO₂ emission coefficient of Federation of Electric Power Companies in 2008 was used to calculate emissions associated with electricity use.
*2 One cedar absorbs approx. 14kg of CO₂ per year. (Approx. 1.17kg per month)
(Source: Measures for Green Sinks to Prevent Global Warming, Forestry Agency and Department of the Environment)

Introducing solar power

Duskin has introduced renewable energy: a significant measure to deal with environmental issues including global warming and shortage of resources and energy. Solar energy panels are used for some parts of glass wall of Duskin School, our training facility, and the panels started to generate

photovoltaic power in 2010. In 2013, a solar power system was adopted at Osaka Central Plant, and approximately 350 panels have been installed with the maximum power output of approximately 100kW.



Approx. 350 panels installed on the roof of Osaka Central Plant

The equivalent of
21 households power
consumption per year*
Power generation
100,000 kWh per year

*Total energy consumption per household: 4,734 kWh per year
(Source: Report on Standby Energy Consumption; The Energy Conservation Center, Japan)

Introduction of low-emission vehicles

At Duskin, sales vehicles are essential for the deliveries of our products and services. Duskin has conducted the Green Driving Campaign, with an objective to reduce the CO₂ emissions caused by our use of vehicles. As part of this campaign, Idling Stop and eco-friendly driving initiatives are encouraged. Setting the standard to introduce environmentally friendly vehicles, Duskin works on employing low emission gas vehicles as sales vehicles. At our Head Office, the use of more eco-friendly vehicles including hybrid vehicles has been promoted.



Sales vehicle

▶Number of low emission gas vehicles

Applicable energy	FY2013	FY2014	FY2015	Compared to FY2013
Number of low emission gas vehicles	2,461	2,595	2,638	7.2%

Note: Number of vehicles at company owned offices and affiliated companies

Promoting energy management (energy-saving activities)

Mister Donut shops and our Food Group shops and restaurants are promoting energy management (energy-saving activities) by reviewing their daily operations and coming up with creative measures to save energy. These efforts include controlling the temperature of air-conditioners, reviewing lighting arrangements, turning off lights in the backyards



when not needed, checking utility meters daily, and controlling maximum power demand (demand value) by reducing the simultaneous use of equipment, while still maintaining comfortable space for customers. Energy-saving types of refrigerators and freezers are also being implemented in the shops as standard equipment.

▶CO₂ emission amount

Categories	FY2013	FY2014	FY2015	Compared to FY2013
Number of shops	1,350 shops	1,317 shops	1,271 shops	-5.9%
Total CO ₂ emission amount	54,289t	53,049t	49,494t	-8.8%
Shop average (for the year)	40.2t	40.3t	38.9t	-3.2%

Note: CO₂ emission coefficient of the Federation of Electric Power Companies in 2008 was used to calculate emissions associated with electricity use.

Installation of LED lighting

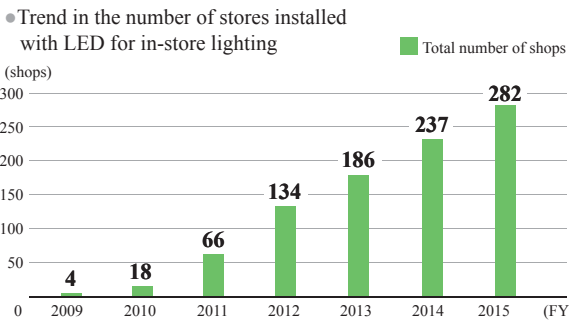
Installation of LED lighting has been established as standard specification for new shops. Lighting is switched to LED lighting whenever we remodel existing shops. In FY2015, LED lighting was installed at 45 shops, including new and renovated shops.



Parape sign and showcase



In-store lighting



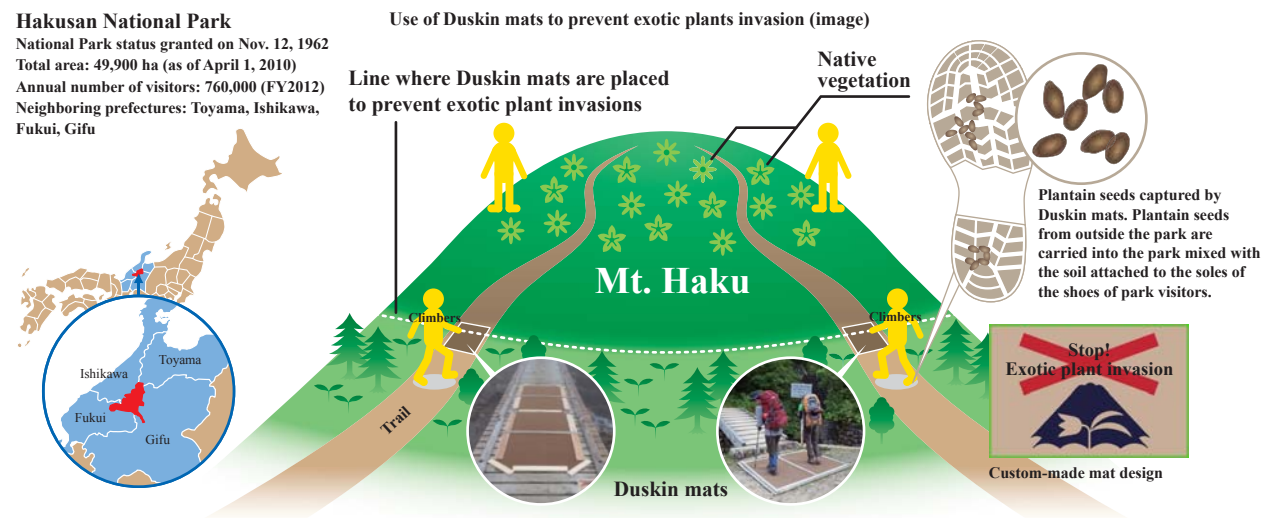


Contributing towards environmental conservation

To maintain biodiversity

Hakusan (Mt. Haku) was adored and addressed as "Shirayama" in poems that were included in Manyoshu (Collection of Ten Thousand Leaves), the oldest existing collection of Japanese poetry. It has been worshipped since ancient times as one of the Three Great Mountains of Japan (Nihon Sanmeizan), including Mt. Fuji and Mt. Tate. In Hakusan National Park, one of the best national parks in western Japan, Duskin mats contribute to conservation of the ecosystems.

Hakusan National Park
National Park status granted on Nov. 12, 1962
Total area: 49,900 ha (as of April 1, 2010)
Annual number of visitors: 760,000 (FY2012)
Neighboring prefectures: Toyama, Ishikawa, Fukui, Gifu



■Our efforts in protecting nature

Hakusan National Park, whose unique preserved ecosystems are spread over the four prefectures of Toyama, Ishikawa, Fukui, and Gifu, is known as a mine of alpine plants. However, exotic plants such as plantains are carried into the park on the soles of hikers' shoes and invade the habitats of alpine plants, adversely affecting these precious ecosystems. As a part of the measures with the purpose of preventing the seeds of exotic plants from being carried further, durable Duskin mats, excellent in collecting earth and sand, have been placed on the park's trails since 2007. The effectiveness of these mats is confirmed as the seeds of exotic plants are found in the sand collected by the mats. Duskin has provided a total of 50 mats which have been placed at eight trail entrances and on the trails of Hakusan National Park, contributing to conservation of the ecosystems.



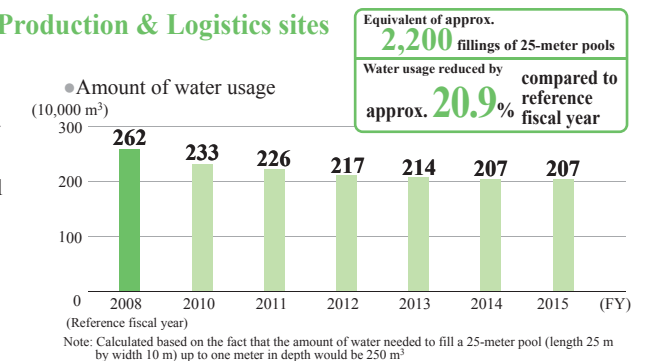
Photo provided by Association for Conservation of Circum Hakusan Area

Effective use of water resources

At Duskin, our basic philosophy on the conservation of our water resource, which has been passed down since our founding, is that "what we have received from nature should be given back in its original state." We remain unchanged in this philosophy, and will continue to work towards the effective utilization of our water resource and to conduct activities towards protecting the quality of the water.

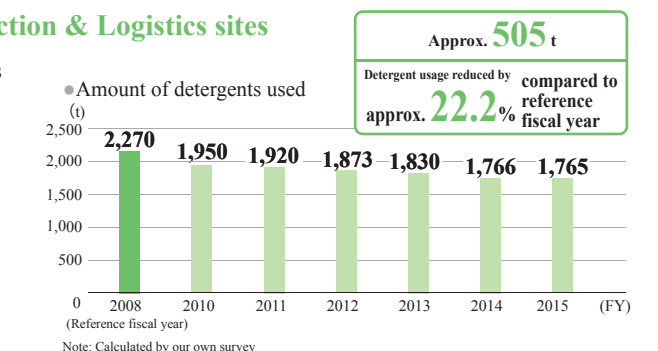
■Effective utilization of water resource at our Production & Logistics sites

Large amounts of water are used in the process of cleaning mops and mats. Water used during the process is treated at our plants under the supervision of an in-house license holder of wastewater treatment. This water is discharged under internal criteria which are stricter than those imposed by legal limits. We also strive to reduce water usage by recycling 580,000 m³ of the 2.65 million m³ of treated water for re-utilization as water for laundry. By these efforts, we have reduced the amount of water used by approximately 20.9% compared to the reference fiscal year.



■Reduction of detergents used at our Production & Logistics sites

The detergents that we use at the Production & Logistics sites are indispensable for delivering clean mops and mats to our customers. Considering its impact on our water, we need to use the detergents effectively at small amounts. Duskin has been making efforts to reduce detergent consumption by using specially treated washing water. By this effort, the amount of detergent consumption is reduced by approximately 22.2% compared to the reference fiscal year.



Assurance report by an independent third party





Contribution to Communities and Society

Duskin has strived and will continue to strive to serve local communities, as a member of these communities, our efforts will be even better than before. Based on our management philosophy as contained in the phrase, "Let us Sow the Seeds of Joy," we are engaged in various activities to contribute to local communities.



Our contribution to communities and society

The Duskin AINOWA Foundation

In 1981, the United Nations' designated International Year of the Disabled, Duskin founded Let Us Expand Circle of Love Foundation. The foundation, based on the concept of "May I help you?" aimed to achieve independent living for people with disabilities and their total participation in society. (The Foundation was authorized as a public interest incorporated foundation in December 2011.) Currently, the Foundation has approximately 188,000 members, including the employees at the Duskin Group, and is conducting various activities to support and coexist harmoniously with people with disabilities in society. At the restaurants and shops of Duskin's food businesses, the Duskin AINOWA membership information leaflets and a donation box are placed by the cashier to encourage greater participation in our activities. The Duskin AINOWA Foundation has been conducting two major programs. One is a program that dispatches young people with disabilities to study abroad. This program provides opportunities for young leaders who wish to contribute to the local communities. For 35 years since its founding, a total of 489 trainees have studied abroad. Based on their experiences, the trainees are now playing active roles in various fields, including university professors, operators of Independent Living Center and sport instructors for people



The Duskin AINOWA Foundation Donation box and membership information leaflet



with disabilities, after their return to Japan. The other program started in 1999. In this program young people with disabilities from Asian-Pacific nations are invited to Japan to receive training to learn about the welfare for people with disabilities. During the past 17 years, a total of 121 trainees from 27 countries and regions have learned in Japan, and are now playing leadership roles in their homelands.

* The numbers of trainees (including those under training) for both programs are as of March 31, 2016.



Duskin Study Abroad Leaders Program



Duskin Leadership Training Program in Japan

Duskin Production & Logistics Facility Tour

Plant and office tours in Duskin Production & Logistics facilities are conducted as an opportunity for people to experience eco-friendly activities in their daily lives. We offer an opportunity for children to learn about the value each product has and the importance of environmental protection by actually observing the process of cleaning soiled mats and mops from collection through reprocessing and shipment. During FY2015, 6,603 people visited Duskin plant facilities throughout Japan.



Children on a Duskin plant tour

Duskin Museum

Since its founding, Duskin has worked to forge an all new culture of cleaning with chemically treated dust cloths that do not use water. Duskin also brought the authentic taste of fresh-fried donuts from the U.S., introducing a new way of eating to Japan. In October 2015, as a representation of Duskin's two key concepts of clean and tasty, the Duskin Museum was established at its home base in Suita, Osaka. The Museum consists of two separate spaces. The Cleaning



Duskin Museum entrance



The Cleaning Pavilion



Pavilion promotes the culture of cleaning by linking past history with the present and the future. The MISDO Museum presents the history of Mister Donut through the present time as well as its secrets to great-tasting donuts. Visitors can also try their hand at donut-making there.

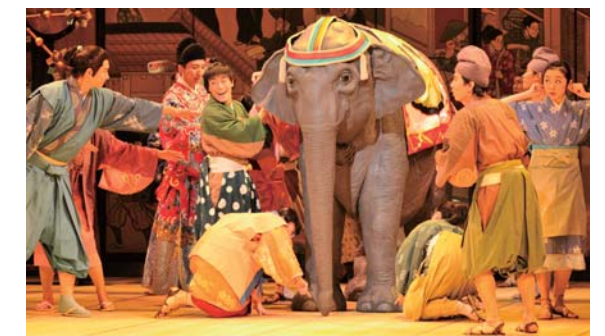
During FY2015 (six months from October 2015 to March 2016), the Museum had a total of 24,432 visitors. It has been featured by the media as a popular attraction in Kansai.



The MISDO Museum

Supporting "Heart Theater" by Shiki Theater Company

"Heart Theater," hosted by the Shiki Theater Company and the Theater Fine Arts Center, is a project with an aim to achieve a spiritually rich life. It speaks to children about the essentials in life, including importance of life, caring heart, and joy of trusting one another. The project was launched in 2008. During FY2015, a total of 569,000 people were invited to 481 performances held in 166 cities across Japan. As a part of its contributions to society, Duskin sponsors and support the project beginning in FY2014.



The musical "Once Upon a Time the Elephant Came" at Heart Theater by Shiki Theater Company

The 5th Osaka Marathon sponsorship

The Osaka Marathon marked its 5th anniversary. Duskin continued sponsorship from the first marathon and agreed on the event theme where runners and many people involved in the event participate in charity activities. Aiming to promote one of the Charity Themes, "To preserve our beautiful city," we collected garbage around water stations and offered all the trash boxes along the course.



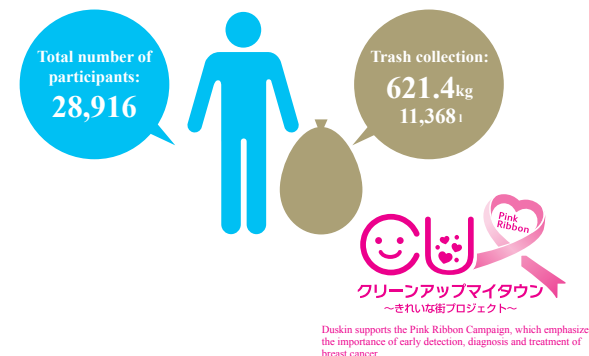
The 5th Osaka Marathon (Oct. 25, 2015)



Contribution to Communities and Society

Clean Up My Town

Clean Up My Town is a Duskin-sponsored nationwide activity to pick up trash at local event sites with the environmental commitment statement of "Sowing the Seeds of Ecological Responsibility for the Future." Gaining public support, this initiative has been conducted with the wish to clean up our communities together with local citizens. In FY2015, 28,916 people participated in the event. This cleaning campaign, initiated in 2006, has attracted participation of a total of 250,000 people. In 2015, following FY2014, these cleaning activities were also conducted at the sites of Pink Ribbon Walk Events nationwide as a part of Pink Ribbon Campaign that promotes awareness on breast cancer.



Clean Up My Town activity grows with many participants.



Staff members participated in this activity

Cleaning activities by Mister Donut, Mister Donut Founding Day

Each year on January 27, Mister Donut conducts cleaning in the neighborhoods where its shops are located. 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, and shop crews voluntarily clean their communities early in the morning to show our appreciation to the communities. Ten percent of that day's nationwide sales is donated to the Duskin AINOWA Foundation (see p. 53).



Cleaning starts in the early morning.

Committed to support in the wake of disaster

Mister Donut entered into the Agreement on Assistance for People Walking Home in Times of Natural Disaster with local governments and other entities to assist people returning home on foot when systems of transportation come to a standstill due to a largescale natural disaster. Under this agreement, we provide drinking water, bathroom access, and traffic and other information at our shops to people returning home on foot. As of March 2016, a total of 586 shops in 37 prefectures have allied themselves for this purpose since the start of the initiative in 2008. To help generate widespread awareness of this initiative, these shops have Return-Home Assistance Station stickers displayed on their storefront.



Return-Home Assistance Station sticker

School education support



Duskin hopes to contribute to society through its core business, which is cleaning. To achieve this goal, the Duskin Institute of Cleaning Education (former Institute of Comfortable Life) has led various support programs at no charge for educational fields since 2000. Duskin's school education support activities are comprised of three pillars: Seminars for teachers to learn how to teach cleaning at school; onsite classes that help raise children's interest in cleaning; and support for developing cleaning education curriculums.

School Cleaning Masters conduct all of these activities, while Assistant School Cleaning Masters and Supporters mainly take care of on-site classes. They are certified after completing a rigorous training program. Especially, the training program to become a Master takes at least three years. While continuing their daily responsibilities, prospective Masters work with instructors of the Institute of Cleaning Education to rehearse the program many times. They strive to refine their skills so that they can certainly respond to the needs of various educational fields.

Seminars for teachers, school cleaning seminars to develop children's abilities

The total cleaning time at school equals approximately 66 lesson hours per year. Teachers want to use this time to develop children's abilities, though they do not know exactly what to do, or how they should properly instruct children. At Duskin's seminars for teachers, the School Cleaning Masters teach how to use cleaning tools and how to instruct children on cleaning. Teachers work in groups to develop a cleaning instruction plan through discussions. This practical program supports their daily cleaning instruction at school. As of the end of FY2015, a total of 206 school boards and 5,589 teachers have participated in this seminar.



"Sow the Seeds of Cleanliness" on-site class

"Sow the Seeds of Cleanliness" Classroom is a 45 minute lesson that helps children to learn what dust and dirt are, why cleaning is necessary, and correct use of dust clothes and brooms. This program was held at 812 schools nationwide for 73,453 children in total from FY2012 to FY2015.



Education support curriculums

Duskin offers on its website the Cleaning Education Curriculum (targeting elementary and junior high school children) and the Tidying Education Curriculum (targeting elementary school children). These versatile curriculums and all related materials can be downloaded from the website free of charge, so that teachers can use them according to the situation of their own school.

www.duskin.co.jp/torikumi/gakko/curriculum/



Contribution to Communities and Society

Contribution to super-aging society

In Japan with a super-aging population, seniors need assistance to live in their own homes independently and with dignity. Duskin, as a member of the local community, provides seniors and their family members with services that help them to live safely and comfortably with peace of mind.

Health Rent

Through the rental and sale of home health care equipment, we support seniors' daily living at home. While contributing to improved quality of life and independence for seniors, we provide seniors and their family members with both comfort and peace of mind. We mainly offer home health care equipment, to which long-term care insurance is applicable. We have our own product and possible risk assessment, and we only offer the items that have cleared these strict self-imposed standards. We also visit the customers on a periodic basis to check the status of use of the equipment and ensure the safety of the customers using the equipment for a long period. Under thorough sanitary maintenance systems, the equipment is cleaned, sterilized and maintained. Through these efforts, we secure safety and comfort for our users. As we expect the increasing needs for home health care

equipment, we strive to enhance the variety of equipment that are easy to use for those with lower nursing care level or those without primary nursing care requirement authorization.



Home Instead

We provide a variety of services, including dementia care, night watch, meal preparation, personal care, eating assistance and toileting assistance on a 24/7 basis. Responding to the unique needs and preferences of each customer, we help seniors and their family to live at home where seniors are comfortable and happy. To take care of people with dementia, our services are provided by CAREGivers who have completed specialized dementia care training. Providing support for seniors in areas that are not covered by the long-term care insurance, we assist family CAREGivers.

In 2015, we introduced Shikisai-Kumiuro® Drill (color drill), a tool for CAREGivers to work on together with seniors. Each set of the Drill offers 30 activities related to colors, with which our customers and their CAREGivers can share a sense of achievement in solving problems and the joy of creation. The activities of the drill, including selecting colors and tearing color cards, stimulate the senses of vision and touch of seniors and has good effects on their brains, aimed at consequently helping to improve the quality of their lives.



Duskin's original program "Shikisai-Kumiuro® Drill"

Wako Iki-iki Life Service Plaza established

Duskin entered into an agreement with Wako-shi, Saitama and opened Wako Iki-iki Life Service Plaza on January 12, 2016, for the purpose of improving the quality of the daily lives of seniors and developing new support service programs for them. This is part of the Gap Senior Consortium initiative led by The Japan Research Institute, Limited. Prior to the opening of the Plaza, a ceremony to celebrate the launch of this initiative was held at the Wako-shi Hall with the participation of the Mayor of Wako-shi, a Managing Director of the Japan Research Institute, Limited., Mr. Yamamura, President & CEO, Duskin and representatives of many business operators in Wako-shi related to welfare for the aged.

The Wako Iki-iki Life Service Plaza organizes various events featuring mainly preventive care and lifestyle improvement, with the aim of providing seniors with opportunities to have fun and develop friendships. The Plaza also provides advice on products and services not covered by the long-term care insurance, helping senior citizens to choose appropriate

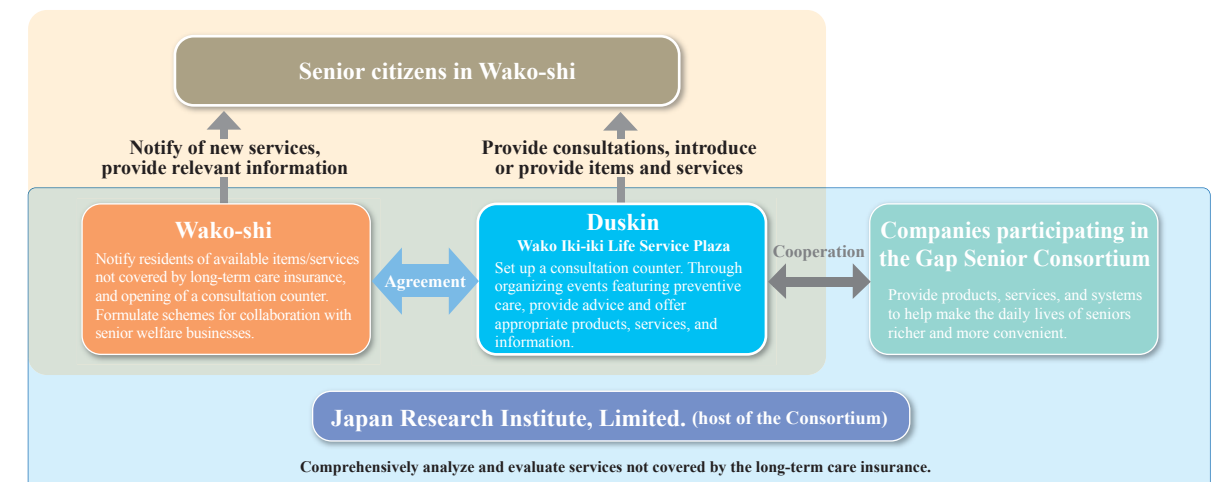
services that satisfy their individual needs.

Wako-shi, Saitama is attracting nationwide attention for its advanced welfare measures for seniors. Duskin's Life Care Development promotes this public-private collaborative initiative with a view to formulating new service programs for seniors.



At the opening ceremony

Program overview



* Gap Senior Consortium is an organization seeking to establish a platform based on collaboration between private business enterprises and local governments, for the provision of a wide range of support services to "gap seniors," elderly people who face a gap between what they would like to do and what they are able to do in daily life, owing to deteriorating physical strength or other factors.

The Service Plaza functions as a new base of life support services for seniors that are not covered by the long-term care insurance. Not only providing seniors with advice and services to ease their concerns or inconvenience in daily life,

it also hosts various events to encourage seniors to develop friendships, helping them to live active and meaningful lives.





Contribution to Communities and Society

Shareholders and investors

Investor & shareholder relations

Duskin endeavors to create an environment that facilitates active communication with shareholders and investors, thereby gaining trust in capital markets. It is our basic policy to proactively engage in IR and SR activities. The objectives of such activities are to gain trust and appropriate evaluation on our business management and to achieve sustainable growth and improvement of corporate value over the medium- and long-term. We disclose all management

information required by laws, regulations and stock exchange requirements to shareholders and investors in a timely, appropriate and fair manner. Additional information on our various initiatives, which is deemed useful for investment decisions by shareholders and investors, is disclosed on our website and investors' notes. Duskin's policy on constructive communication with shareholders is released on our website.

www.duskin.co.jp/CSR/governance/corporate/



IR presentation at "Shareholder Returns Festa in Osaka," hosted by Daiwa Investor Relations Co., Ltd.



Navi-Dus, Duskin Investors' Note

Shareholder special benefit

In appreciation of our shareholders' support, we have a shareholder special benefit plan, designed to assist the shareholders learn more about Duskin Group. This initiative makes our company's shares more attractive for medium-and

long-term investors. It also encourages shareholders to use a wide range of products and services of Duskin Group and to better understand the scope of our businesses.

Eligible shareholders

Shareholders who are registered or recorded in our shareholder register as of March 31 every year and September 30 every year and own 100 shares or more are eligible for the benefit.

Type of benefits

No. of shares	Type of benefits
100 - 299 shares	Shareholder gift certificates worth 1,000 yen (two 500 yen certificates)
300 shares or more	Shareholder gift certificates worth 2,000 yen (four 500 yen certificates)

Donation program

We are keenly aware that Duskin is not only a business enterprise but also a member of society, and fully engaged in social contribution activities. For shareholders who support our Corporate Social Responsibility (CSR) efforts, we offer a wider options of participating in our CSR activities. For those shareholders who wish to participate in our CSR activities, Duskin donates the equivalent amount of the certificates returned from the shareholders to charitable organizations.



Report on the Kumamoto earthquakes

On April 14, 2016, an earthquake measuring a maximum 7 on the Japanese seismic intensity scale occurred in Kumamoto Prefecture, followed by a series of earthquakes including a magnitude 7.3 main shock which struck before dawn on April 16 and measured a maximum 7 intensity again. These earthquakes, along with aftershocks continuing intermittently, have caused severe damage to the Kumamoto area. We sincerely express our deepest sympathy to the victims of the earthquakes.

Damage to Duskin Group

Some of the Duskin Group's affiliated plants and franchised shops and locations in the Kumamoto area suffered damage from the earthquakes such as cracks and breakage in ceilings and walls. In particular, facilities and equipment of Duskin Kumamoto Central Plant (Duskin Product Kyushu Co., Ltd.) in Mifune-machi, Kumamoto Prefecture were severely damaged. Duskin Kumamoto Central Plant had been in charge of cleaning around 30% of dust control products in the Kyushu region. But after the earthquake, its operations were fully suspended for a while and assigned to other plants mainly in the Kyushu region.

Meanwhile, many Duskin franchisees were forced to suspend their operations due to suspension in the supply of lifeline utilities, temporary closure of the shopping centers housing their shops, and other reasons.



Severely damaged Duskin Kumamoto Central Plant

Actions as headquarters for franchisees

On April 15, a day after the occurrence of the earthquake, Duskin set up a local disaster response office in Kumamoto headed by Kenichi Miyajima, Senior Executive Director, and immediately started sending relief supplies, including approx. 2,000 liters of drinking water, from Duskin Head Office to the local disaster response office. After that, Duskin continued transport of drinking water and other aid supplies, such as hand sterilizer. At the Mister Donut units and other restaurants and shops of Duskin's food businesses all over Japan, except those

in Kumamoto, a donation box was placed to encourage donations for Kumamoto from inside and outside the Duskin Group.



Drinking water stored at Duskin Head Office building for disaster was sent to Kumamoto.



Donation box placed at a store of Food Group.

Activities to support the affected area

On April 18 Mister Donut started delivery of donuts to evacuation sites, where many local people were staying in fear of aftershocks. Until April 28, a total of approximately 24,000 donuts made inside Kumamoto were delivered to 61 sites. While many restaurants and convenience stores suspended operation or otherwise suffered shortage of supply, Mister Donut made strenuous efforts to resume operation as early as possible. The Mister Donut Kengun shop in Higashi-ku, Kumamoto-shi resumed operation on April 17 after being

closed due to the earthquake. Many customers waited in long lines for reopening of the shop.



Mister Donut Kengun shop resumed operation on April 17



Delivering donuts to an evacuation center

Considerate services reflecting philosophy of "Sow the Seeds of Joy" Enhancing corporate governance

Our corporate philosophy to "Sow the Seeds of Joy" can only be realized by placing the keystone of governance at our foundation. Mister Donut is one of the places where we put these efforts into practice. The mindset of each and every employee is helping to support Duskin's mission of delivering safe and reliable products and a comfortable environment to our customers.

Safe and reliable yet
delicious tastes of freshly-made
products by
strict control of
raw materials and
considerate services

New type of our company-owned
Mister Donut shop
LaLaport EXPOCITY
Shop



On April 1971, Duskin opened Japan's first Mister Donut store in Minoh-shi, Osaka in an effort to sow new "Seeds of Joy." Our efforts to sow the seeds of joy continue to this day, in solidarity with the many franchise stores. The store at LaLaport EXPOCITY opened in November 2015 as a new type of store directly operated by Duskin. In keeping with our promise, we must deliver new products at an even higher level of a pleasant environment. This new location serves as a pilot store implementing diverse new initiatives.

The use of relaxing tonal colors in both the interior and exterior is a unique approach made by this particular store. The pasta menu items, only offered at about a dozen of our stores throughout Japan, are also very popular.



Remembering to greet and attend customers, even while laying out freshly-made products

As a professional, I am always thinking about providing a greater level of joy to our customers.

Risa Tanaka
Assistant Shop Manager
LaLaport EXPOCITY shop

As the store opened a few months ago, there are still many customers coming to the store for the first time. I realize every day that, because this is new type of a Mister Donut shop, the customers look upon us with a high sense of expectation. We offer new menu items such as pasta and a beverage station. A new series of donuts made with dough mixed with three types of dried fruit which are stretched out and shaped by hand, then fried, are offered to promote the "home-made" factor. This new series of donuts is also very popular.

With regards to operations and management, a major change is that we started dealing with fresh produce, as we serve salads as a set with the pasta dishes. In order to ensure safety and reliability, rules have been developed to ensure a thorough visual check before the use of raw materials. We pay extra attention to hygiene management in the area where we prepare pasta.

Of course, quality management does not simply consist of ensuring safety and reliability. In keeping with Duskin's quality policy,



A sharp eye is kept on hygiene and quality management, during the process of making donuts.



The kitchen area of the LaLaport EXPOCITY shop is separated by glass, so that customers can see the donuts being made on site. Being able to see the manufacturing process gives a greater sense of reassurance to our customers.

"Duskin delivers safe, enjoyable and environmentally-friendly products and services," all of the staff members are environmentally conscious, such as in managing the appropriate timing for opening raw material packages so that we do not create needless waste, while also making efforts to bring joy to our customers by paying attention to them and giving greetings.

At the base of our efforts are our pride in being professionals, and our caring thoughts towards our customers, which are shared among all staff members of Mister Donut. A donut is a snack that can be made at home, but we are in a position to provide this snack as professionals. And that is all the more reason why, for example, if we coat a donut with chocolate, we would give it our heartfelt and attentive care as we make these by hand so that it does not contain any air bubbles, and is coated with just the right amount of chocolate. To have our customers enjoy the donuts in approximately four hours from when they are made, we meticulously adjust the amount and timing of producing the donuts. And we ring a bell to let the customers know when the donuts have just been freshly made.

Inside the store, we not only provide assistance with the coffee server at the beverage station and to people struggling with strollers, but also pay attention to the conversations, expressions, and body language of the customers so that our customers may relax at the store in pleasant comfort. For us, all of these efforts are leading to "Sow the Seeds of Joy."

A corporate governance
based on
Prayerful Management

Duskin's governance as seen from an
Outside Director's perspective



To further enhance Duskin's strength of having "strong ties with the customers" as the company's corporate value

Duskin started to enhance its organizational governance at the time of the Large Meat Dumpling incident. We had our Outside Director review Duskin's corporate governance, such as the results of the initiatives and efforts, and future challenges.

An open-minded board of directors' meeting that makes it comfortable for Outside Directors to express their opinions

During the time when I was an executive in charge of human resources at my former workplace, I was responsible for enlisting the first outside director. And I felt the significance of bringing in this new presence, because it brought a new perspective into the discussions.

This is why, now that I myself have become an Outside Director, I place particular importance in actively participating in the meetings. I believe that the Directors of Duskin, including the Audit and Supervisory Board Members, are making an effort to create an environment that respects the opinions voiced by Outside Directors.

The role of the Outside Director is to connect the management philosophy to the management strategy.

Many companies place their strength in their uniqueness. Likewise with Duskin, I believe that its management philosophy of Prayerful Management serves as a source of the company's uniqueness and strength. In general, management tends to place importance on achieving quantitative goals within a short period of time. However, Duskin currently avoids the adverse effects of such management by placing importance on its philosophy, which in turn is also enhancing its governance.

As an Outside Director, I wish to continue to contribute towards enhancing the true corporate value by further strengthening the organic unification of corporate philosophy and management strategy by giving an objective perspective from outside of the company.

Duskin aims to continue gaining the support of the customers.

It is one full year since I was appointed as Outside Director. I participated in the policy study meeting held every spring, given towards franchisees of each business segment. Through this participation, I felt strongly Duskin is a company that is fully aware of its standing as a corporate citizen.

In the future, the company will be required to actively expand its business based on its concept to "Sow the Seeds of Joy" and realize a ONE DUSKIN that continues to gain the trust of the customers. I will also contribute as much as I can to these efforts by putting to use my experience in handling overseas strategies at my former workplace.

Profile

Tadashi Yamamoto Outside Director

Joined Wacoal Corp. in April 1976. From 2006, served as Director of Wacoal Holdings Corp. and also as Managing Corporate Officer and General Manager of Human Resource & Administration at Wacoal Corp. In 2008, appointed as Director of Wacoal Holdings Corp., in addition to being assigned as Senior Managing Corporate Officer and General Manager of International Operations at Wacoal Corp. Resigned from his positions in 2012, and served until 2014 as an Audit & Supervisory Board Member at Wacoal Corp. He has served as the Outside Director for Duskin Co., Ltd. since June 2015.

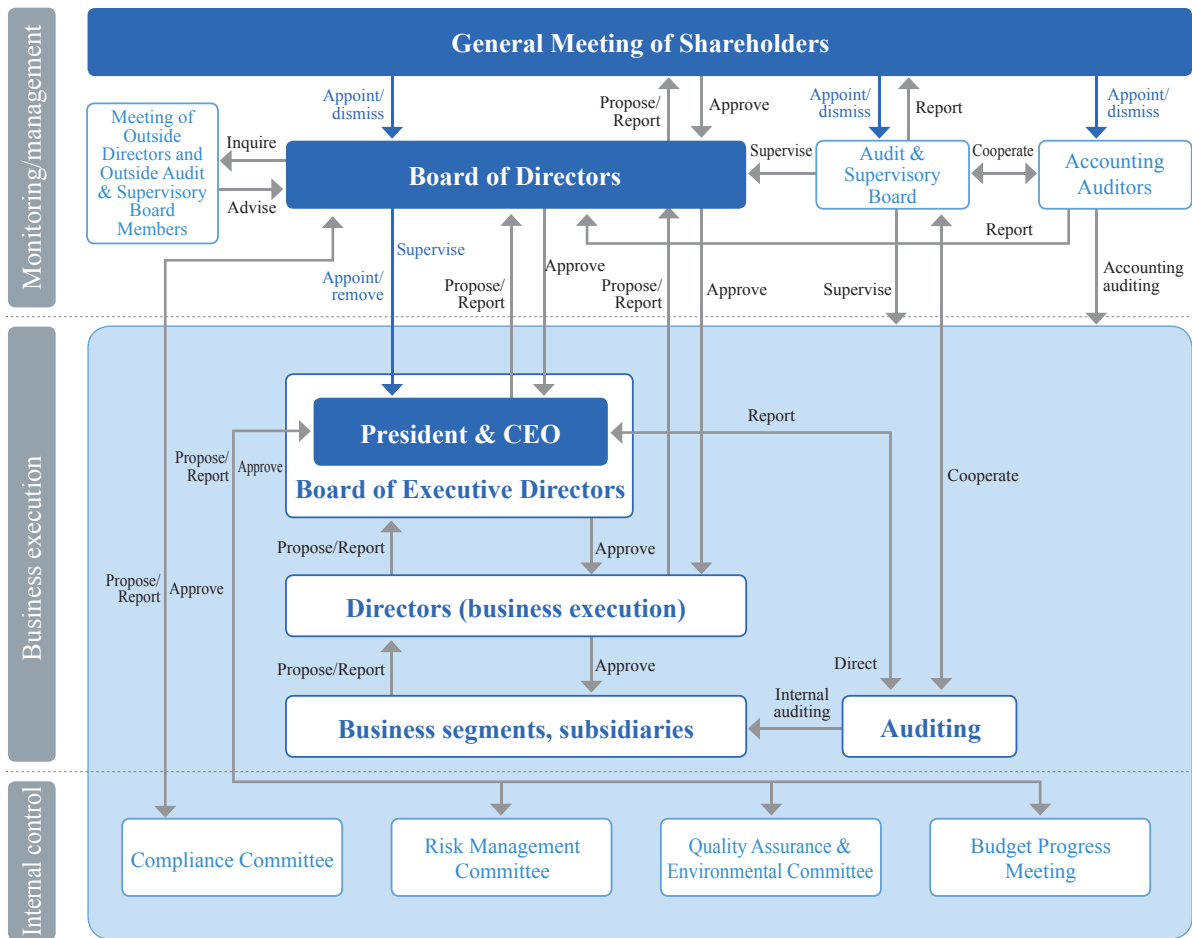
Corporate Governance

Duskin aims to achieve sustainable growth and improvement of corporate value over the medium- and long-terms while responding to the expectations of various stakeholders. Duskin views the strengthening of corporate governance as one of its top management priorities. Alongside establishing a management framework that allows us to accommodate changes in our business environment with swiftness and precision, we will continue to maintain a structure, organization and systems that enable us to realize sound and highly-transparent management. We also place compliance in the center of all our corporate activities, with a view to continuously improving our corporate value. Duskin has a firm management philosophy of "Prayerful Management" advocated by its founder Seichi Suzuki. Suzuki formulated the Prayerful Management philosophy to establish an ideal management structure, incorporating the thoughts and views of life cultivated through his self-discipline processes. We believe that maintaining this philosophy of our founder and ensuring its understanding and implementation by all Duskin employees is the basis of our corporate governance.

Corporate governance structure

At Duskin, the Board of Directors monitors and supervises directors' execution of their business responsibilities while the Audit & Supervisory Board monitors and audits the management. The Audit & Supervisory Board is comprised of Outside Audit & Supervisory Board Members who are independent of the Company and therefore capable of objectively conducting audits, and full-time Audit & Supervisory Board Members who are well acquainted with our businesses and have a high ability to gather information. This structure is effective in promoting customer-oriented management and ensuring sound and efficient business execution. This system enables us to swiftly and precisely respond to changes in the business environment.

Corporate Governance Structure



Board of Directors

The Board of Directors of Duskin convenes at least once every month with the President & CEO presiding as Chairman. This body serves to supervise the execution of our business in addition to rendering decisions on important matters that pertain to the management of the Duskin Group. The Board members are appointed taking into consideration the diversity of the Board as a whole in terms of abilities, experience, gender and other elements. This is for the purpose of enabling the Board to make sophisticated management decisions in a wide range of business fields while maintaining the soundness, efficiency and effectiveness of the management. The number of Directors is limited to 15 at maximum. As of Jun 24, 2016, our Board of Directors is made up of twelve members, including three Outside Directors (two women), who are independent of the company. For our Outside Directors, we appoint professionals who are judged to be highly-independent and free of any real vested interest in our company. Our three outside directors have extensive business experience and possess specialized knowledge in their original areas of expertise, and provide useful advice from multifaceted perspectives for maintaining transparency and soundness in the management of our organization and fairness in the procedures we employ.

Audit & Supervisory Board

Including our three Outside Audit & Supervisory Board Members (one woman), who are independent of the company, our Audit & Supervisory Board consists of five members (as of June 24, 2016). These members are responsible for auditing the important decision-making processes of the Duskin Group, as well as the status of business execution by the Group. Members attend meetings of the Board of Directors and other key meetings, where they share their professional opinions. They also convene as the Audit & Supervisory Board once a month to go over decisions on audit policies and progress in the status of audits. For our Outside Audit & Supervisory Board Members, we appoint specialists such as certified public accountants and attorneys-at-law to ensure the presence of effective checks on legal, financial and accounting aspects of our business from specialized standpoints.

Basic capital policies

Aiming to achieve sustainable growth and improvement of corporate value over the medium- and long-term, Duskin promotes three basic policies of "improving capital efficiency," "maintaining a solid financial base," and "ensuring shareholder returns," in a balanced manner.

1. Improving capital efficiency	By preferentially allocating internal reserves to growth investment and thus establishing new business bases, we seek to improve our capital efficiency. Before making investment decisions, we carefully examine the efficiency and recovery potential of each investment case.
2. Maintaining a solid financial base	We maintain the solid financial base we have established by placing a high priority on financial soundness. At the same time, we will enhance the ability of our existing businesses to generate steady cash flows, thereby enabling continuous growth investment. In the event of unexpected need, we procure funds in financial and capital markets by a method selected from among various means available under conditions advantageous to Duskin.
3. Ensuring shareholder returns	We flexibly purchase treasury stock in view of the market environment and cash flows, with the aim of continuing stable dividend payment and increasing shareholder value and ROE per share.

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

The independence of an Outside Director or Outside Audit & Supervisory Board Member requires that none of the following items is applicable to these individuals. These standards are based on the independence standards of the Securities Listing Regulations Enforcement Rules of the Tokyo Stock Exchange and also include standards established by Duskin.

To determine if an Outside Director or Outside Audit & Supervisory Board Member is independent, Duskin confirms that none of the following standards 1 through 9 are applicable, while referring to Duskin Standards for Independence of Outside Directors and Audit & Supervisory Board Members. Then, the Board of Directors holds discussions that include consideration of the opinions and advice of Audit & Supervisory Board Members and the Outside Directors and Audit & Supervisory Board Members Council, in order to select Outside Director and Outside Audit & Supervisory Board Member candidates.

1. A Director (except an Outside Director of Duskin), Audit & Supervisory Board Member (except an Outside Audit & Supervisory Board Member of Duskin) or employee of a Duskin Group*1 company

2. A major shareholder*2 of Duskin or a Director, Audit & Supervisory Board Member or employee of a company or other organization that is a major shareholder of Duskin

3. A Director, Audit & Supervisory Board Member or employee of a company with a major business relationship*3 with the Duskin Group

4. An individual that has received substantial donations*4 from the Duskin Group or a Director, Audit & Supervisory Board Member or employee of a company or other organization that has received such donations

5. An attorney, accountant, consultant who has received substantial payments*5 or other items of value (or an individual belonging to a company or other organization that has received these payments) other than Director or Audit & Supervisory Board Member compensation from the Duskin Group

6. An individual who was ever in any position described in the above items 1 and 2

7. An individual who was within the past three years in any position described in the above items 3 through 5

8. Spouses and first or second-degree relatives of individuals described in the above items 1 through 7

9. Individuals who have been a Duskin Outside Director for five years or a Duskin Outside Audit & Supervisory Board Member for eight years

10. Individuals with any other reasons for doubt about independence concerning the performance of duties as a Duskin Outside Director or Outside Audit & Supervisory Board Member

*1 The Duskin Group is Duskin and subsidiaries of Duskin.
*2 An individual, company or other entity that owns at least 10% of Duskin's voting rights
*3 A company where, in the most recent fiscal year, amounts paid to or received from the Duskin Group for business transactions are more than the larger of 3% of the consolidated sales of the Duskin Group or the company (including the parent company and subsidiaries) or ¥1 billion
*4 Substantial donations are cash and other items with a value of the larger of 1% of consolidated sales of the Duskin Group in the most recent fiscal year or ¥100 million.
*5 A payment of cash or other items with a value of the larger of 1% of consolidated sales of the Duskin Group in the most recent fiscal year or ¥100 million

Policy for constructive dialogue with shareholders

1. Basic policy

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

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

2. System for IR and SR activities

At Duskin, the Directors in charge of IR and SR is appointed, and Chief of IR Section, Corporate Management Department is in charge of IR administration. Under their supervision, the IR Section conducts IR and SR activities according to the basic policy. The IR Section Chief, besides attending important internal meetings of the Company, views internal approval documents as needed and collects necessary information through closely cooperating with the relevant departments.

Requests for meetings with our senior management and Directors will be responded to based on reasonable judgment made by the IR Section in light of the basic policy.

3. IR and SR activities and measures

(1) IR/SR activities targeting institutional investors and analysts (including shareholders)

①Financial results briefing	Held twice every year (at the end of second quarter and the fiscal year end) for institutional investors and analysts. The Duskin President & CEO himself explains our financial data, the outline and progress of our Medium-term Management Policy and other matters in an easy-to-understand manner using graphics and charts.
②Individual meeting	Individual meetings with institutional investors and analysts are held as requested.
③Other	Our plants and training facilities accept visitors and offer tours as requested.

(2) IR/SR activities targeting individual investors (including shareholders)

①Company briefing	Held in cooperation with securities firms' branch offices around Japan and IR support companies. In principle, the IR Section Chief explains Duskin's ongoing businesses and business models, current situation and other matters in an easy-to-understand manner using graphics and charts.
②Participation in IR-related events	Participation in various IR-related events as opportunities to have direct dialogues with individual investors and shareholders. The IR Section members give briefings on the company information while attempting to gather the opinions of individual investors and shareholders through conducting questionnaire surveys and by other means.
③Other	<ul style="list-style-type: none">Fan meetings and other events to help individual investors and analysts deepen their understanding of our business strategies. We have established a system to ensure that their opinions and requests are reflected in our business management.Improvement of our website with useful contents for individual investors and shareholders in making investment decisions. Included in the contents are summaries of financial results, business highlights, management strategies and materials presented at IR briefings, our business environment, initiatives for safety and compliance, corporate news and topics.

(3) Measures for further enhancement

We will further enhance our IR and SR activities, by holding briefings on our business strategies for institutional investors and analysts, and increasing the frequency of company briefings for individual investors.

(4) Feedback to management

Various information, evaluations and opinions obtained in markets through IR and SR activities are reported to the Board of Directors twice a year. Depending on necessity, reporting is also made from the IR Section to the Director in charge, who then reports to the Board of Directors. The reported information and opinions are reflected in business management of the Company.

4. Insider information management

Duskin has formulated the internal Rules on Insider Information Management and the Detailed Rules on Insider Information Handling and manages important information relating to its business operations and business performance according to these rules. All important information is gathered and controlled at the IR Section, which is responsible for the handling of information. We disclose our information based on the belief that timely and appropriate disclosure of corporate information to investors is the basis of a sound securities market, while seeking to ensure the fairness and soundness of the securities market.

We have also established the Disclosure Policy, under which a quiet period is set from the day following the account closing to the date of announcement of quarterly financial results. The quiet period is set for the purpose of preventing leakage of financial results and to ensure fairness of information disclosure. During this period, we refrain from answering questions or making comments regarding our financial results or business outlook.

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

Internal Control

Internal control system


① Basic policy on business operation

At the Duskin corporate group, we espouse the pursuit of the "Unison of Economy and Morals" as the basis of our business management. We have formulated the below "Statement of Conduct" to serve as a compass of action that leads us towards the realization of our management philosophy as well as the "Duskin Code of Conduct" to serve as concrete standards of conduct for us to follow, and have adopted these as our guidelines of business operation.

Code of Conduct

Aiming to be a "trustworthy and reliable company"

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



- ② Framework for ensuring that the execution of duties by directors and employees of the Duskin corporate group conforms with laws, ordinances and our own Articles of Incorporation
- ③ Framework pertaining to the storage and management of information that relates to the execution of duties by directors of the Duskin corporate group
- ④ Rules and other framework elements that pertain to risk management for losses of the Duskin corporate group
- ⑤ Framework for ensuring that the duties of the directors of the Duskin corporate group are conducted with efficiency
- ⑥ Framework for ensuring the adequacy of business conducted by the Duskin corporate group
- ⑦ Framework for ensuring the reliability of financial reports
- ⑧ Matters pertaining to ensuring the independence of the employees expected to assist in the duties of auditors from directors and the effectiveness of directions given to those employees
- ⑨ Framework for directors, audit & supervisory board members and employees of the Duskin corporate group or individuals who have received a report from those directors, audit & supervisory board members or employees to provide a report to auditors of Duskin
- ⑩ Framework for ensuring that audits in other areas are performed by auditors with effectiveness

Internal auditing

Duskin established Auditing to function as an internal auditing department directly reporting to the President. With a ten-member framework, Auditing performs audits of the business, accounting and systems of the Duskin corporate group based on audit plans, and establishes internal controls to ensure the reliability of financial reports as well as evaluates the administration of those controls. The department provides regular reports of these activities to the President, and also reports significant items of discovery to all of our Directors and Audit & Supervisory Board Members. Additionally, for the purpose of sharing the information in its possession, Auditing ① holds liaison meetings with Audit & Supervisory Board Members once a month, ② conducts audit report meetings with accounting auditors every quarter, and ③ reports the results of its evaluations of the administration of internal controls to the Board of Directors three times per annum.

Internal auditing at Duskin is generally performed in the form of a physical audit. Using checklists and other materials, Auditing department audits compliance with the various rules in place by verifying ledger sheets, vouchers, contracts, physical assets and so forth. Once that process is complete, Auditing compiles the results of its audit and promptly reports them to the department that was audited. For areas that require improvement, Auditing asks that department to submit solutions (remedial measures) and, when necessary, holds audit review sessions to verify the effectiveness of the solutions (remedial measures) proposed. Auditing has also introduced a "self-check" system, and endeavors to ensure that adequate business operation at Duskin continues.

Risk Management

Risk management structure

Duskin has formulated a set of Basic Rules on Risk Management that stipulated how risk is to be managed in the Duskin corporate group. Through these Rules, which set forth a risk management department and supervisor of that department, we control risk in the Duskin corporate group in a consolidated, comprehensive manner. Additionally, though regularly-held meetings of our Risk Management Committee, we administer instructions and guidance on risk management in the Duskin corporate group.

At our subsidiaries, we promote risk management through the risk management supervisor that we have placed in each company in accordance with its size, types of business, and other factors. When risks emerge at those subsidiaries, the risk management supervisor works in concert with the risk management departments at Duskin to administer countermeasures.

Crisis situation framework

Centralization of crisis information

When damage results from a crisis or natural disaster or an earthquake with an intensity of at least 5-upper occurs, the risk management supervisor under each function at the Duskin Group gathers information of their own accord and makes a report to Quality Assurance and Risk Management. Even should damage result from an earthquake with an intensity of less than 5, these supervisors waste no time gathering information.

Crisis Response Office/Disaster Response Office

In cases where risk arises that will significantly impact the Duskin corporate group, the President decides whether or not to establish a response office, and nominates a director in charge of that office depending on that decision. Placing the foremost priority on human life, the response office examines and decides upon matters that need to be addressed for the purpose of preventing further damage and recovering at an early stage. While the response office at the Duskin Head Office devises countermeasures and engages in response, the local response office works together with the Head Office to prevent further damage and otherwise respond to the situation.

Risk prevention activities

Each department identifies the risks that are specific to its responsibilities and analyzes their significance, after which it formulates and implements response measures for each presumed factor. Quality Assurance and Risk Management visits each department and site of operation to verify and evaluate the implementation status of those countermeasures, and reviews both the risk assessment and countermeasures based on the results of that evaluation.

Information security

Duskin engages in measures to prevent information-centered accidents such as illegal access, loss, destruction, tampering and leakage. These measures include classifying the management level of information we come into contact with in the course of our business into multiple stages, and establishing limits on storage methods and access privileges.

With regards to the handling of personal information, we set forth a Personal Information Protection Policy and make efforts to ensure that all of our employees are aware of and enforce it. We have established a management framework with a supervisor at each department responsible for personal information protection. The framework we have in place is compliant with the requirements of personal information protection management systems outlined by the Ministry of Economy, Trade and Industry of Japan, and we administer rules on the management of such information with the utmost strictness.

Compliance

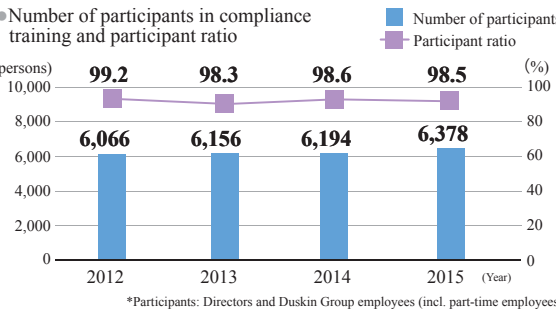
At Duskin, we view "compliance" as the act of "complying with what is expected to meet others' wishes." Each and every one of us practices the Duskin Code of Conduct in our daily business endeavors in order to gain the trust of our customers and society at large.

Compliance Committee

Duskin Group has a Compliance Committee in place for the purpose of establishing, disseminating and entrenching a compliance framework. This Committee is spearheaded by the Director in charge of our legal and compliance functions, and also includes other Directors, our Outside Directors, attorneys-at-law, our Audit & Supervisory Board Members, and the Chairman of our Labor Union Committee. It is responsible for reviewing key compliance-based issues as well as annual plans and education and training plans that apply to compliance. The Committee, as an advisory body to the Board of Directors, also engages in duties related to compliance at Duskin.

Commitment to promoting compliance

As part of its efforts to ensure that its members are aware of and enforce the Duskin Code of Conduct, the Duskin Group administers compliance training sessions every year for all of its Directors and employees. Participants in these training sessions attend lectures given by guest lecturers from outside the company as well as take part in case study training that nurtures ethical judgment capability.



Lecture by Prof. Hiroji Tanaka at a compliance training session for Directors

Day of Resolve

From FY2015, May 31 was set as the Day of Resolve. On May 31, 2002 Duskin was issued an order of partial business suspension by the Osaka Prefecture Government due to violation of the Food Sanitation Act. On each May 31 since 2015, all Duskin employees reflect on the Large Meat Dumpling incident and write messages pledging compliance to consumers and society. Employees who do not know about the incident are encouraged to listen to senior employees. By recalling the incident on each May 31, Duskin reminds all employees of the importance of compliance with consumer protection regulations. This is our responsibility to society. We pledge our resolve and renew the determination to do right by building upon our solid compliance structure.



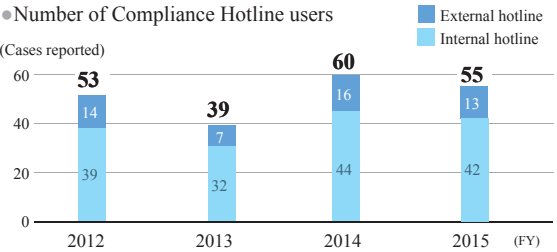
Satellite broadcasting on Day of Resolve

Order issued by Consumer Affairs Agency regarding Duskin service

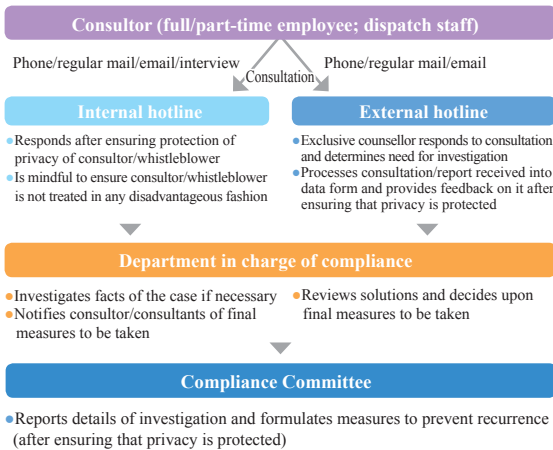
In December 2015, the Consumer Affairs Agency issued an order to Duskin because the expressions used in flyers and direct mail promotions concerning our window film application service distributed by a regional office was deemed as a false attribution of superior quality, which is prohibited by the Act Against Unjustifiable Premiums and Misleading Representations. We humbly accepted this order, and subsequently implemented measures to prevent a reoccurrence by enhancing our internal control systems and legal compliance, including regularly conducting seminars about proper expressions for our advertising and promotional materials.

Compliance Hotlines

In line with the intent of the Whistleblower Protection Act of Japan, Duskin operates Compliance Hotlines that makes it possible to directly report occurrences to our Legal and Compliance department and to an external law firm. By having mechanisms in place that keeps an eye out for the likes of legal infractions, unethical conduct and internal impropriety, we seek to foster a sound and highly-transparent corporate climate. Our policy dictates that the privacy of whistleblowers be upheld, and they are not treated in any way that might be disadvantageous.



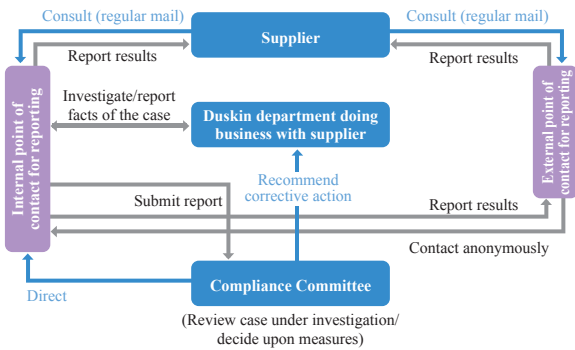
Flow of Compliance Hotlines



Duskin Purchasing Clean Line

The Duskin Purchasing Clean Line for our suppliers is a point of contact to which those suppliers can file a report when a Director or an employee violates the Duskin Code of Conduct or has taken action that may be suspicious in light of laws, ordinances or social ethics. The confidentiality and privacy of all information reported, including names and specific actions, are strictly maintained, and suppliers that use this system will not be subject to disadvantageous treatment by any means. Our goal in offering the Duskin Purchasing Clean Line is to boost the transparency and fairness of our business dealings with our suppliers and build deeper relationships of trust with them. The number of reports made through this system was zero in FY2015.

Flow of Duskin Purchasing Clean Line



Duskin Group Code of Conduct

The Duskin Code of Conduct was formulated reflecting many opinions raised in discussions among all Duskin Directors and employees (including part-timers). This Code of Conduct shows the ideal we should aim at and presents our commitment to our customers and society that we will make efforts toward achieving the goals.

Code of Conduct

- With respect to consumers and our customers**

 - 1 Provide products and services that are safe, reliable and environmentally friendly
 - 2 Strictly maintain the confidentiality of our customers' personal information
 - 3 Label and provide adequate explanation
 - 4 Maintain a solid framework for following up on our services
 - 5 Administer proper sales activities and services
 - 6 Respect the opinions of consumers and our customers
 - 7 Keep our promises to consumers and our customers
 - 8 Disclose information with promptness and accuracy and handle consumers and our customers with integrity
 - 9 Handle crisis situations
- With respect to our shareholders and investors**

 - 1 Conduct proper releases of legally stipulated and other information
 - 2 Disclose management information proactively and with accuracy and secure shareholder and investor confidence
 - 3 Establish a formidable management foundation and ensure enduring growth
 - 4 Conform to insider trading regulations
 - 5 Use company assets appropriately
- With respect to our members of the Duskin Group, franchisees**

 - 1 Enter equitable and reciprocal relationships backed by contracts
 - 2 Ensure mutual understanding through dialogue
 - 3 Assure safe, reliable quality
 - 4 Provide accurate information to existing and aspiring franchisees
- Duskin and us (With respect to our employees)**

 - 1 Respect human rights
 - 2 Evaluate and treat our employees with fairness
 - 3 Eliminate the propensity to divide roles based on gender from our mentality
 - 4 Conduct ourselves with autonomy and responsibility
 - 5 Practice interdepartmental cooperation
 - 6 Make judgments and take action based on laws, ordinances and rules
 - 7 Manage company information properly
 - 8 Be quick about making reports to superiors
 - 9 Preserve the workplace environment
 - 10 Keep our work and private life separate
 - 11 Eliminate harassment
- With respect to our suppliers**

 - 1 Comply with laws and ordinances when conducting business transactions
 - 2 Request compliance from suppliers
 - 3 Enter contract-stipulated relationships on an equal footing
 - 4 Apply impartial standards and proper procedures
 - 5 Enter restrained relationships with suppliers
 - 6 Respect international rules and adhere to local laws and ordinances
- With respect to society**

 - 1 Act in accordance with the law and social common sense
 - 2 Be considerate of community safety and security
 - 3 Preserve the local environment
 - 4 Contribute to society
 - 5 Cope with anti-social forces
 - 6 Maintain sound relationships with the government

Financial Section

【Accounting】

1. Preparation policy of the consolidated and non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ministry of Finance Ordinance No. 59 of 1963, hereinafter the "Ordinance on Financial Statements, etc.") The Company is classified as a specified company in submitting financial statements and thus prepared its financial statements in accordance with the provisions of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit attestation

The consolidated financial statements for FY2015 (from April 1, 2015 to March 31, 2016) and non-consolidated financial statements for FY2015 (from April 1, 2015 to March 31, 2016) are audited by Ernst & Young ShinNihon LLC pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

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

Duskin makes efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, the Company became a member of the Financial Accounting Standards Foundation and participates as necessary in training courses or seminars on disclosure or amendments of accounting standards held by the Accounting Standards Foundation, Ernst & Young ShinNihon LLC and other external organizations or experts, for the purpose of ensuring that Duskin has an appropriate understanding of accounting standards and responds in a timely manner to changes in accounting standards.

This report does not include the statement on significant matters that serves as the basis for preparing consolidated financial statements. For more details on financial statements, please refer to the information for shareholders and investors on our website.

【Five-year Summary】

①【Consolidated】

Fiscal year		2011	2012	2013	2014	2015
Net sales	(millions of yen)	171,118	168,163	167,745	167,987	165,203
Ordinary income	(millions of yen)	11,609	11,027	8,322	7,083	6,707
Profit attributable to owners of parent	(millions of yen)	4,583	6,092	4,448	3,441	2,983
Comprehensive income	(millions of yen)	5,320	9,095	6,246	7,870	1,401
Net assets	(millions of yen)	149,604	152,811	151,903	155,196	143,648
Total assets	(millions of yen)	197,316	202,375	202,778	198,475	190,322
Net assets per share	(yen)	2,314.38	2,407.88	2,446.24	2,544.09	2,569.53
Net profit per share	(yen)	71.07	95.15	71.13	56.19	52.18
Diluted net profit per share	(yen)	—	—	—	—	—
Equity ratio	(%)	75.4	75.1	74.3	77.6	75.0
Return on equity	(%)	3.1	4.1	2.9	2.3	2.0
Price-earnings ratio	(times)	23.26	19.74	27.82	37.02	38.75
Cash flows from operating activities	(millions of yen)	14,057	16,269	12,086	6,251	11,199
Cash flows from investing activities	(millions of yen)	-8,686	-6,864	-14,004	5,515	-2,826
Cash flows from financing activities	(millions of yen)	-4,355	-5,980	-6,553	-4,514	-12,952
Cash and cash equivalents at end of period	(millions of yen)	24,724	28,171	19,775	27,118	22,503
Number of employees (including average number of temporary employees)	(persons)	3,422 (5,890)	3,512 (5,751)	3,552 (5,867)	3,487 (6,041)	3,538 (6,128)

(Notes) 1. Consumption taxes are not included in sales.

2. No statement is made for diluted net profit per share because there are no dilutive shares.

3. Starting with FY2015, Duskin adopted the Revised Accounting Standard for Business Combinations (ASBJ No. 21 of September 13, 2013) and net profit is reported as "profit attributable to owners of parent."

②【Non-consolidated】

Fiscal year		2011	2012	2013	2014	2015
Net sales	(millions of yen)	150,019	145,275	142,589	141,580	138,697
Ordinary income	(millions of yen)	10,313	9,446	6,795	6,167	6,136
Profit	(millions of yen)	4,428	4,995	3,914	3,394	1,831
Capital stock	(millions of yen)	11,352	11,352	11,352	11,352	11,352
Total number of shares issued	(shares)	66,294,823	64,994,823	63,494,823	63,494,823	57,494,823
Net assets	(millions of yen)	132,128	133,622	131,635	134,071	125,578
Total assets	(millions of yen)	184,811	187,960	186,295	183,202	175,151
Net assets per share	(yen)	2,055.34	2,118.27	2,137.68	2,214.31	2,260.79
Dividend per share (Interim dividend per share)	(yen)	40.00 (—)	40.00 (20.00)	60.00 (40.00)	40.00 (20.00)	40.00 (20.00)
Net profit per share	(yen)	68.66	78.01	62.59	55.42	32.03
Diluted net profit per share	(yen)	—	—	—	—	—
Equity ratio	(%)	71.5	71.1	70.7	73.2	71.7
Return on equity	(%)	3.4	3.8	3.0	2.6	1.4
Price-earnings ratio	(times)	24.08	24.07	31.62	37.53	63.13
Dividend payout ratio	(%)	58.26	51.28	95.86	72.18	124.89
Number of employees (including average number of temporary employees)	(persons)	2,039 (2,079)	1,952 (1,715)	1,936 (1,541)	1,928 (1,478)	1,960 (1,588)

(Notes) 1. Consumption taxes are not included in sales.

2. Interim dividend per share for FY2013 includes the 50th anniversary commemorative dividend of 20 yen.

3. No statement is made for diluted net profit per share because there are no dilutive shares.

【Business and Financial Conditions】

The Duskin Group consists of Duskin Co., Ltd. (the Company), and its 33 subsidiaries and three affiliated companies. The Clean & Care Group is engaged mainly in the rental of Dust Control Products and the Food Group's main business is Mister Donut. Along with these, we also operate related businesses mainly through franchise networks.

Business Overview

Duskin has initiated the ONE DUSKIN plan with the goal of uniting all Duskin businesses to serve our customers in a more effective and hospitable manner. In line with this plan to establish a corporate structure to make sustainable growth possible, we have started various initiatives of the first phase of the ONE DUSKIN, Medium-term Management Policy. We strive to achieve a recovery in sales, which have been sluggish in recent years.

At Clean & Care Group, we continued our efforts to improve our membership website DDuet to diversify and reinforce customer contacts. Clean & Care Group also pursued initiatives to transform our businesses into a sanitary management service provider. To offer comprehensive solutions most suitable for specific customer needs, we are developing Hygiene Master Professionals with sanitary management expertise. To address Japan's aging population, a new development group was formed. We also started reviews of various services for seniors provided in cooperation with a local government (Wako-shi, Saitama).

Food Group started to rebuild the Mister Donut brand, which has been experiencing a gradual sales decline in recent years. Mister Donut started remodeling its existing stores into new concept shops called NEW MISDO. Food Group also focused its efforts on developing new businesses that can become additional pillars of the Group. In line with these efforts, we opened Pie Face stores, and started franchising The Chiffon & Spoon.

Business Results

①Sales

At Clean & Care Group, sales of dust control products, the core products of this segment, including sales transferred from our franchisees, increased substantially from the previous year. Housekeeping and other technical services and Rent-All continued to show steady growth. Uniform Service, Home Instead, which provides senior care services, and other businesses in this segment recorded an increase in sales. At Food Group, sales decreased mainly due to a decline in sales at Mister Donut, though pork cutlet restaurants and other businesses marked an increase in sales.

As a result, consolidated sales were 165,203 million yen, a 2,783 million yen (1.7%) decrease from the previous year.

②Operating income (Cost of sales, Selling, general and administrative expenses)

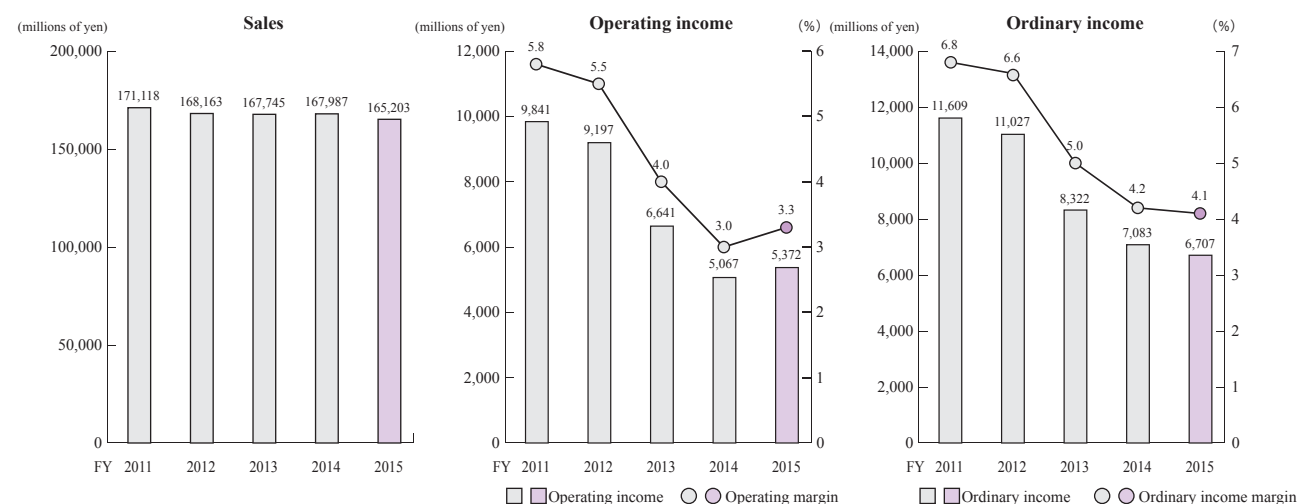
Cost ratio improved to 57.3% from 58.4% in the previous year. This was mainly due to the lower costs for Style Cleaner (a type of electrically-powered dust cleaner placed on the floor) at Clean & Care Group and the lower valuation loss and disposal expenses for raw materials at Food Group. As a result, cost of sales was 94,740 million yen, a 3,424 million yen (3.5%) decrease from the previous year. Selling, general and administrative expenses were 65,090 million yen, a 336 million yen (0.5%) increase from the previous year. This was mainly due to higher transport costs at Mister Donut and the rise in expenses associated with shop openings in new food businesses and the completion of the Duskin Museum, and expenses in the previous year for regional conventions for our sales representatives across Japan.

As a result, consolidated operating income was 5,372 million yen, a 304 million yen (6.0%) increase from the previous year, with an increase in the operating margin from 3.0% to 3.3%.

③Ordinary income (non-operating income and expenses)

Despite the increase in operating income, consolidated ordinary income was 6,707 million yen, a 375 million yen (5.3%) decrease from the previous year due to higher non-operating expenses.

Non-operating income was 1,785 million yen, a 432 million yen (19.5%) decrease from the previous year. This is mainly due to a lower level of interest income resulting from a decrease in marketable securities held and lower interest rate, and gains on redemption of investment securities that was recorded for the previous year. Non-operating expenses increased by 122.9%, from 248 million yen in the previous year to 449 million yen, mainly due to the expenses related to a voluntary recall by Kyowa



Cosmetics Co., Ltd., our consolidated subsidiary. Ordinary income margin decreased from 4.2% in the previous year to 4.1%.

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

Extraordinary income was 629 million yen, a 503 million yen (398.8%) increase from the previous year. This was due to the recording of gain on sale of part of the investment securities owned by the Company, and also the recording of a gain on a bargain purchase resulting from the purchase of additional stock of Mister Donut Shanghai Co., Ltd. to make this company a consolidated subsidiary. Extraordinary loss was 1,682 million yen, a 1,333 million yen (381.7%) increase from the previous year, mainly due to an increase in noncurrent asset impairment losses.

Though lower income due to the above factors resulted in a decrease in the amount of taxes, reversal of deferred tax assets and higher income tax adjustment in response to the revision of corporate tax rates led to a decrease in profit attributable to owners of parent. As a result, profit attributable to owners of parent was 2,983 million yen, a 457 million yen (13.3%) decrease from the previous year. Net profit margin decreased from 2.0% to 1.8%.

Results by business segment

①Clean & Care Group

Sales of dust control products, the core products of this segment, were higher than in the previous year. Rent-All, which rents daily commodities and equipment for various events, technical services and other businesses also posted higher sales. As a result, sales at Clean & Care Group were 110,191 million yen, a 1,181 million yen (1.1%) increase from the previous year.

Operating income totaled 13,001 million yen, a 1,746 million yen (15.5%) increase from one year earlier.

<Business status>

- Dust control products for residential customers/ Enhancement of sales of Cleaning Basic Three, a set of three cleaning items, and introduction of "Return Service By Post," a new system that better meets the needs of the time, resulted in improvements in both new customer sales and cancellation rates.
- Dust control products for commercial customers/ Sales of the Office Drink/Snack Service, a new service introduced during FY2015, contributed to the favorable results.
- Technical services/ As a result of increasing the workforce to meet growing market needs, customer-level sales and royalties increased.
- Other businesses/ Rent-All achieved significantly higher sales from one year earlier due to favorable results in rental services for assisted-living and health care products, and items related to events. Uniform Service, Home Instead, and the cosmetics-related businesses also recorded higher sales.

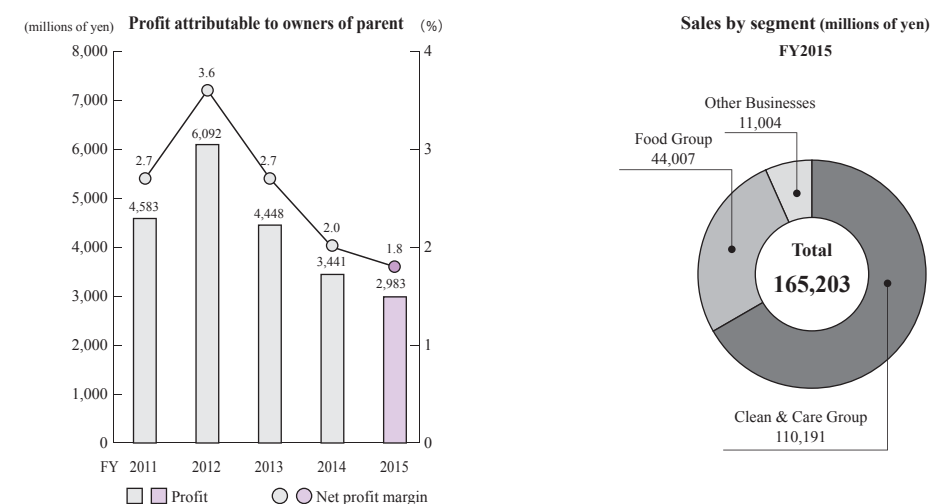
②Food Group

Mister Donut focused this fiscal year on high-value added products and seasonal products that are available only at Mister Donut shops. However, the sales promotions for the new products were not appealing enough for customers to visit Mister Donut shops, and did not achieve the expected results compared to the products introduced in the previous year. In addition, the number of shops decreased due to the closure of underperforming shops, associated with lower total customer-level sales than in the previous year. As a result, sales of Food Group were 44,007 million yen, a 4,281 million yen (8.9%) decrease from one year earlier.

While expenses decreased due to a reduction in promotional expenses and the smaller disposal of raw materials, Food Group recorded a 1,469 million yen operating loss, which was a 1,267 million yen increase compared with the 201 million yen operating loss posted in the previous year. This was mainly because of the impact of lower income resulting from the lower sales.

<Business status>

- Mister Donut/ Recorded lower sales than in the previous year, due to a decline in customer-level sales, which led to a decrease in royalty fees and raw material sales to franchisees.
- Pie Face, The Chiffon & Spoon, Bakery Factory/ Recorded higher sales than in the previous year mainly due to the increased number of shops.



- Katsu & Katsu/ Continued to achieve favorable results due to steady growth at existing restaurants and opening of three new restaurants.
- Café Du Monde, The Don/ Posted lower sales than in the previous year due to a decrease in the number of shops.
- ICE DE LION/ In addition to its co-branded stores with Mister Donut, started its unit store for test marketing.

③Other businesses

Duskin Shanghai Co., Ltd, which operates Clean & Care Businesses, and Duskin Hong Kong Co., Ltd., which procures raw materials and equipment, posted higher sales from one year earlier. The purchase of additional stock of Mister Donut Shanghai Co., Ltd. made this company a consolidated subsidiary, which led to a sales increase in overseas businesses. As a result, Other Businesses recorded sales of 11,004 million yen, a 316 million yen (3.0%) increase from one year earlier. Overseas subsidiaries recorded a 202 million yen operating loss, a 114 million yen increase compared with the 87 million yen operating loss in the previous year. This was mainly due to adjusting the recognition of goods in transit for the different fiscal year-end of a subsidiary.

【Financial position】

①Current assets

As of March 31, 2016, current assets amounted to 63,260 million yen, a 4,467 million yen decrease compared to the previous fiscal year. This was mainly attributable to a 2,036 million yen decrease in short term marketable securities and a 1,810 million yen decrease in cash and deposits.

②Noncurrent assets

Noncurrent assets totaled 127,062 million yen at the end of the fiscal year, a 3,686 million yen decrease compared to the previous fiscal year. This was mainly due to a 2,809 million yen decrease in investment securities.

③Current liabilities

Current liabilities amounted to 31,929 million yen, a 2,096 million yen decrease compared to the previous fiscal year. This was mainly due to a 1,014 million yen decrease in current liabilities - other and a 979 million yen decrease in accrued income tax.

④Noncurrent liabilities

Noncurrent liabilities totaled 14,744 million yen at the end of the fiscal year, a 5,490 million yen increase from the previous fiscal year. This was due to a 5,446 million yen increase in net defined benefit liability.

⑤Net assets

Net assets totaled 143,648 million yen at the end of the fiscal year, an 11,547 million yen decrease from the previous fiscal year. This was mainly due to a 2,517 million yen increase in valuation difference on available-for-sale securities, an 11,204 million yen decrease in retained earnings resulting from profit attributable to owners of parent of 2,983 million yen, 2,321 million yen paid out in dividends and cancellation of treasury stock of 11,833 million yen, and 3,855 million yen recorded in remeasurements of defined benefit plans.

【Cash flows】

To improve our corporate value, we place importance on increasing cash flows from operating activities and continuing investment in new areas for growth. Cash and cash equivalents (Cash) at the end of the fiscal year totaled 22,503 million yen, a 4,614 million yen decrease from 27,118 million yen at the end of the previous fiscal year.

①Cash flow from operating activities

Cash inflows from operating activities amounted to 11,199 million yen, a 4,947 million yen increase from the previous fiscal

year. Income before income taxes totaled 5,655 million yen, a 1,205 million yen decrease from the previous year, while depreciation of 6,766 million yen, a 342 million yen decrease from the previous fiscal year, and a decrease in accrued income tax of 1,166 million yen (a 2,470 million yen decrease from the previous fiscal year) were recorded.

②Cash flow from investing activities

Net cash used by investing activities totaled 2,826 million yen, (5,515 million yen provided in the previous fiscal year). This was mainly due to the sale and redemption of marketable securities and investment securities with a value of 21,086 million yen, a 4,191 million yen decrease from the previous fiscal year, purchase of marketable securities and investment securities with a value of 16,026 million yen, a 4,506 million yen increase from the previous fiscal year, and purchase of tangible noncurrent assets with a value of 5,808 million yen, a 1,179 million yen increase from the previous fiscal year.

③Cash flow from financing activities

Net cash used in financing activities amounted to 12,952 million yen, an 8,438 million yen increase from the previous year. The dividend payment totaled 2,317 million yen, a 146 million yen decrease from the previous fiscal year, and a 10,506 million yen outlay was recorded for the purchase of treasury stock, an 8,663 million yen increase from the previous fiscal year.

【Research and development】

Research and development policy and structure

We aim to establish Duskin brands as pro-consumers in the areas of safety and reliability. We provide consumers with safe and reliable Total Clean Care products and services. Our Research & Development endeavors are centered on commitment to development of fundamental technologies, new product development, product quality improvement, and measures for environmental conservation. As our core products are rental products, repeated use of the products contributes to effective use of resources, reduction of cost of sales and environmental conservation. With the goal to extend the service life of the products, our Research and Development team explores on optimal treatment processes for used rental products and associated chemical agents.

Our Research & Development Center consists of three laboratories for Dust Control Materials Technologies, Environmental Hygiene, and New Technologies, with a total of 47 staff members.

Product testing policy and structure

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

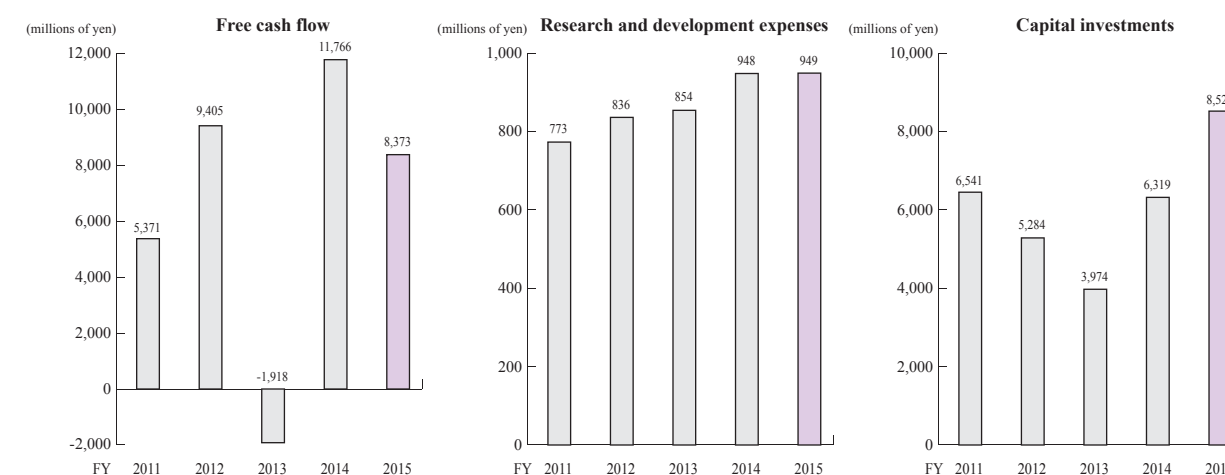
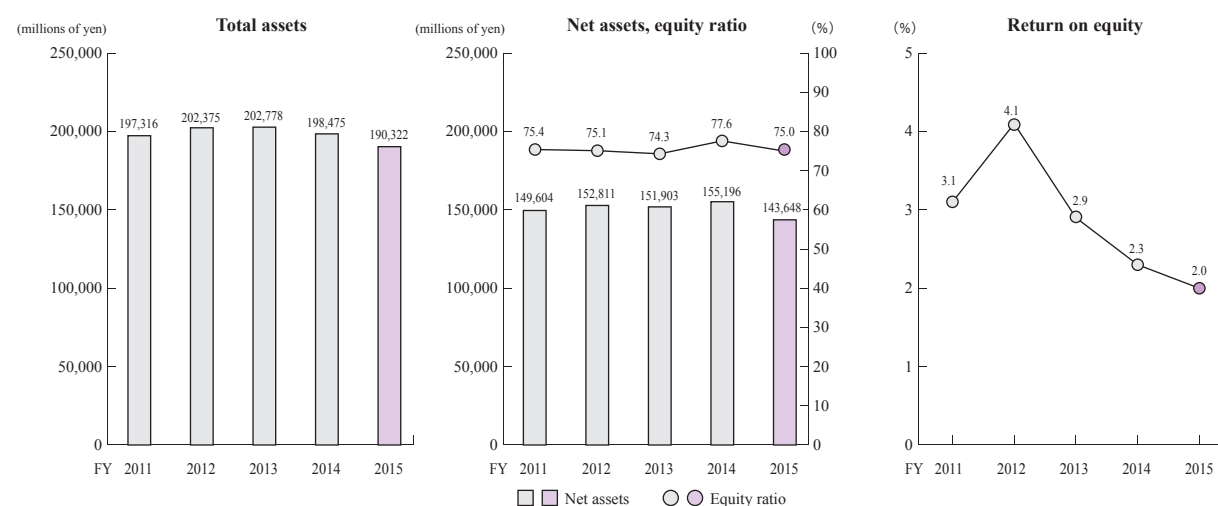
The Product Inspection Center consists of two laboratories: Safety & Analysis Laboratory and Reliability & Utility Value Laboratory, with a total of 16 staff members.

Research and development expenses

Research and development expenses totaled 949 million yen.

【Capital investments】

Capital investments (including intangible assets and payments of lease and guarantee deposits) totaled 8,520 million yen. At Clean & Care Group, 2,120 million yen was invested in establishing the Production & Logistics system and 1,235 million yen was invested in installation and renewal of production facilities for plants. At Food Group, 1,258 million yen was invested in opening new shops and remodeling existing shops. Investments made at Head Office for the entire Company totaled 1,282 million yen, which were mainly for the renovation of the Duskin Museum to make it earthquake-resistant. There was no significant sale or retirement of facilities.



【Consolidated financial statements】

①【Consolidated balance sheets】

(millions of yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Assets		
Current assets		
Cash and deposits	20,817	19,006
Notes and accounts receivable - trade	10,201	10,109
Lease investment assets	1,549	1,460
Securities	21,564	19,528
Merchandise and finished goods	8,104	7,590
Work in process	158	174
Raw materials and supplies	1,292	1,432
Deferred tax assets	1,801	1,473
Other	2,270	2,524
Allowance for doubtful accounts	-33	-39
Total current assets	67,727	63,260
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,495	44,397
Accumulated depreciation	-24,641	-25,494
Buildings and structures, net	17,853	18,902
Machinery, equipment and vehicles	23,577	24,139
Accumulated depreciation	-17,053	-17,618
Machinery, equipment and vehicles, net	6,524	6,520
Land	24,192	23,588
Construction in progress	1,067	324
Other	12,740	13,100
Accumulated depreciation	-9,417	-9,703
Other, net	3,322	3,397
Total property, plant and equipment	52,960	52,733
Intangible assets		
Goodwill	425	305
Other	7,731	7,263
Total intangible assets	8,156	7,569
Investments and other assets		
Investment securities	59,417	56,608
Long-term loans receivable	10	8
Deferred tax assets	2,383	2,283
Guarantee deposits	6,479	6,408
Other	1,532	1,596
Allowance for doubtful accounts	-193	-147
Total investments and other assets	69,630	66,758
Total non-current assets	130,748	127,062
Total assets	198,475	190,322

(millions of yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,915	7,353
Current portion of long-term loans payable	30	9
Income taxes payable	1,392	413
Provision for bonuses	3,270	2,876
Asset retirement obligations	5	8
Accounts payable - other	6,957	7,057
Guarantee deposits received for rental products	9,887	9,657
Other	5,567	4,552
Total current liabilities	34,026	31,929
Non-current liabilities		
Long-term loans payable	20	10
Net defined benefit liability	7,839	13,286
Asset retirement obligations	577	643
Long-term guarantee deposits	732	728
Long-term accounts payable - other	82	74
Other	0	0
Total non-current liabilities	9,253	14,744
Total liabilities	43,279	46,673
Net assets		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	10,841	10,835
Retained earnings	131,115	119,910
Treasury shares	-5,170	-3,843
Total shareholders' equity	148,139	138,255
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,944	8,462
Deferred gains or losses on hedges	-	-18
Foreign currency translation adjustment	32	-37
Remeasurements of defined benefit plans	-78	-3,934
Total accumulated other comprehensive income	5,899	4,472
Non-controlling interests	1,157	920
Total net assets	155,196	143,648
Total liabilities and net assets	198,475	190,322

②【Consolidated statement of income and statement of comprehensive income】

【Consolidated statement of income】

(millions of yen)

	FY2014 April 1, 2014 - March 31, 2015	FY2015 April 1, 2015 - March 31, 2016
Net sales	167,987	165,203
Cost of sales	98,165	94,740
Gross profit	69,821	70,462
Selling, general and administrative expenses	64,753	65,090
Operating income	5,067	5,372
Non-operating income		
Interest income	937	571
Dividend income	252	293
Rent income on facilities	96	95
Commission fee	193	215
Share of profit of entities accounted for using equity method	—	126
Gain on transfer of goodwill	9	—
Gain on redemption of investment securities	300	—
Miscellaneous income	428	483
Total non-operating income	2,217	1,785
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	—	53
Share of loss of entities accounted for using equity method	6	—
Compensation expenses	63	219
Loss on cancellation of rental contracts	22	0
Commission for purchase of treasury shares	3	44
Miscellaneous loss	105	132
Total non-operating expenses	201	449
Ordinary income	7,083	6,707
Extraordinary income		
Gain on sales of non-current assets	11	4
Gain on sales of investment securities	108	559
Gain on bargain purchase	—	50
Other	6	14
Total extraordinary income	126	629
Extraordinary losses		
Loss on sales of non-current assets	7	12
Loss on abandonment of non-current assets	223	308
Impairment loss	88	1,165
Loss on liquidation of subsidiaries and associates	—	115
Amortization of goodwill	—	79
Other	28	1
Total extraordinary losses	349	1,682
Profit before income taxes	6,860	5,655
Income taxes - current	2,716	1,645
Income taxes - deferred	754	1,215
Total income taxes	3,471	2,860
Profit	3,389	2,794
Profit (loss) attributable to non-controlling interests	-51	-188
Profit attributable to owners of parent	3,441	2,983

【Consolidated statement of comprehensive income】

(millions of yen)

	FY2014 April 1, 2014 - March 31, 2015	FY2015 April 1, 2015 - March 31, 2016
Profit	3,389	2,794
Other comprehensive income		
Valuation difference on available-for-sale securities	3,575	2,517
Deferred gains or losses on hedges	—	-18
Foreign currency translation adjustment	145	34
Remeasurements of defined benefit plans, net of tax	635	-3,830
Share of other comprehensive income of entities accounted for using equity method	126	-95
Total other comprehensive income	4,481	-1,392
Comprehensive income	7,870	1,401
Comprehensive income attributable to owners of parent	7,871	1,556
Comprehensive income attributable to non-controlling interests	-0	-154

③【Consolidated statement of changes in equity】

FY2014 (April 1, 2014 - March 31, 2015)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	11,352	10,841	130,300	-3,326	149,167
Cumulative effects of changes in accounting policies			-163		-163
Restated balance	11,352	10,841	130,137	-3,326	149,004
Changes of items during the period					
Dividends of surplus			-2,463		-2,463
Profit attributable to owners of parent			3,441		3,441
Purchase of treasury stock				-1,843	-1,843
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	977	-1,843	-865
Balance at end of current period	11,352	10,841	131,115	-5,170	148,139

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,369	-190	-709	1,469	1,265	151,903
Cumulative effects of changes in accounting policies						-163
Restated balance	2,369	-190	-709	1,469	1,265	151,739
Changes of items during the period						
Dividends of surplus						-2,463
Profit attributable to owners of parent						3,441
Purchase of treasury stock						-1,843
Net changes of items other than shareholders' equity	3,575	223	631	4,430	-108	4,321
Total changes of items during the period	3,575	223	631	4,430	-108	3,456
Balance at end of current period	5,944	32	-78	5,899	1,157	155,196

FY2015 (April 1, 2015 - March 31, 2016)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	11,352	10,841	131,115	-5,170	148,139
Cumulative effects of changes in accounting policies		-6	-32		-39
Restated balance	11,352	10,834	131,082	-5,170	148,099
Changes of items during the period					
Dividends of surplus			-2,321		-2,321
Profit attributable to owners of parent			2,983		2,983
Purchase of treasury stock				-10,506	-10,506
Retirement of treasury stock			-11,833	11,833	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		0			0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	-11,172	1,326	-9,844
Balance at end of current period	11,352	10,835	119,910	-3,843	138,255

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	5,944	—	32	-78	5,899	1,157	155,196
Cumulative effects of changes in accounting policies							-39
Restated balance	5,944	—	32	-78	5,899	1,157	155,156
Changes of items during the period							
Dividends of surplus							-2,321
Profit attributable to owners of parent							2,983
Purchase of treasury stock							-10,506
Retirement of treasury stock							—
Change in treasury shares of parent arising from transactions with non-controlling shareholders							0
Net changes of items other than shareholders' equity	2,517	-18	-70	-3,855	-1,427	-236	-1,663
Total changes of items during the period	2,517	-18	-70	-3,855	-1,427	-236	-11,508
Balance at end of current period	8,462	-18	-37	-3,934	4,472	920	143,648

④【Consolidated statement of cash flows】

(millions of yen)

	FY2014 April 1, 2014 - March 31, 2015	FY2015 April 1, 2015 - March 31, 2016
Cash flows from operating activities		
Profit before income taxes	6,860	5,655
Depreciation	7,109	6,766
Amortization of goodwill	201	295
Increase (decrease) in allowance for doubtful accounts	-2	6
Bad debts expenses	—	1
Interest and dividend income	-1,190	-864
Interest expenses	1	0
Foreign exchange losses (gains)	-5	2
Share of (profit) loss of entities accounted for using equity method	6	-126
Loss (gain) on sales of property, plant and equipment	-3	8
Loss on retirement of property, plant and equipment	291	148
Loss (gain) on sales and redemption of investment securities	-408	-559
Loss (gain) on valuation of investment securities	3	—
Gain on bargain purchase	—	-50
Loss (gain) on transfer of goodwill	-9	—
Impairment loss	88	1,165
Loss (gain) on liquidation of subsidiaries and associates	—	115
Decrease (increase) in notes and accounts receivable - trade	507	116
Decrease (increase) in inventories	145	385
Increase (decrease) in notes and accounts payable - trade	-850	408
Increase (decrease) in provision for bonuses	95	-394
Increase (decrease) in provision for point card certificates	-438	—
Increase (decrease) in net defined benefit liability	-6,782	-81
Increase (decrease) in accrued consumption taxes	1,303	-1,166
Decrease (increase) in lease investment assets	60	89
Decrease (increase) in other assets	1,032	244
Increase (decrease) in other liabilities	-936	621
Subtotal	7,079	12,784
Interest and dividend income received	1,351	1,072
Interest expenses paid	-1	-0
Income taxes paid	-2,178	-2,657
Net cash provided by (used in) operating activities	6,251	11,199
Cash flows from investing activities		
Decrease (increase) in time deposits	-61	623
Purchase of securities	-3,000	-8,002
Proceeds from sales and redemption of securities	6,000	8,000
Purchase of property, plant and equipment	-4,628	-5,808
Proceeds from sales of property, plant and equipment	73	30
Purchase of investment securities	-8,521	-8,024
Proceeds from sales and redemption of investment securities	19,277	13,086
Purchase of shares of subsidiaries and associates	-893	—
Proceeds from purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	—	70
Payments of loans receivable	-83	-2
Collection of loans receivable	181	7
Payments for lease and guarantee deposits	-165	-322
Proceeds from collection of lease and guarantee deposits	690	285
Payments for transfer of business	—	-93
Proceeds from transfer of goodwill	9	—
Other payments	-3,540	-2,693
Other proceeds	176	15
Net cash provided by (used in) investing activities	5,515	-2,826
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-33	—
Repayments of long-term loans payable	-159	-30
Purchase of treasury shares	-1,843	-10,506
Cash dividends paid	-2,464	-2,317
Dividends paid to non-controlling interests	-14	-4
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-93
Net cash provided by (used in) financing activities	-4,514	-12,952
Effect of exchange rate change on cash and cash equivalents	90	-34
Net increase (decrease) in cash and cash equivalents	7,343	-4,614
Cash and cash equivalents at beginning of period	19,775	27,118
Cash and cash equivalents at end of period	27,118	22,503

Directors and Audit & Supervisory

Board Members (as of June 24, 2016)



Teruji Yamamura

(Date of birth: January 28, 1957)

President & CEO

Position, Career Summary (significant concurrent positions)

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



Kenichi Miyajima

(Date of birth: March 16, 1955)

Senior Executive Director

Position, Career Summary (significant concurrent positions)

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



Kazushi Sumimoto

(Date of birth: November 29, 1960)

Director

Position, Career Summary (significant concurrent positions)

May 2016 Director
Corporate Planning, Life Care Development Group, Rent-All, Uniform Service, Health & Beauty (to the present)
June 2015 Director, Rent-All, Uniform Service, Health & Beauty
General Manager, Life Care Development Group
June 2014 Director, Home Instead
Division Manager, Rent-All
Apr. 1983 Joined the Company



Hideyuki Naito

(Date of birth: December 3, 1961)

Director

Position, Career Summary (significant concurrent positions)

June 2016 Director, Corporate Management
Manager, Accounting (to the present)
Apr. 2012 Manager, Accounting
Nov. 2007 Manager, Auditing
Aug. 1995 Section Chief, Business Analysis, Café Du Monde
Apr. 1982 Joined the Company



Akihisa Tsurumi

(Date of birth: September 26, 1953)

Senior Executive Director

Position, Career Summary (significant concurrent positions)

June 2016 Senior Executive Director
President's Office, Human Resources, General Affairs, Public Relations, Information System (to the present)
Apr. 2016 Senior Executive Director
Human Resources, General Affairs, Accounting, Corporate Management, Information System, Quality Assurance & Risk Management, Product Inspection Center, Production & Logistics
June 2015 Senior Executive Director
Human Resources, General Affairs, Accounting, Information System, Quality Assurance & Risk Management, Product Inspection Center, Production & Logistics
June 2011 Executive Director
Human Resources, General Affairs, Accounting, Information System
June 2007 Director, Continuous Process Improvement
Manager, Corporate Planning
Apr. 2005 Joined the company
Manager, Continuous Process Improvement
Oct. 2002 General Manager, Kyoto Corporate Business Office-3, Sumitomo Mitsui Banking Corporation



Kazuo Okai

(Date of birth: June 29, 1957)

Executive Director

Position, Career Summary (significant concurrent positions)

Apr. 2016 Executive Director, Clean & Care Development Group (to the present)
June 2015 Executive Director
General Manager, Clean & Care Development Group
Apr. 2012 Director, Research & Development Center
General Manager, Clean & Care Business Group
Apr. 2010 Director
Corporate Planning, Overseas Business Development, New Business Development
June 2008 Director
Manager, Overseas Business Development
Chairman & CEO, Duskin Hong Kong Co., Ltd.
Apr. 1980 Joined the Company



Taku Suzuki

(Date of birth: October 8, 1965)

Director

Position, Career Summary (significant concurrent positions)

June 2016 Director, Product Inspection Center
General Manager, Production & Logistics Group (to the present)
May 2012 General Manager, Production & Logistics Group
Oct. 2009 Regional Manager, Shikoku Area, Clean Service Business Group
June 2007 President & CEO, Duskin Product Tohoku Co., Ltd.
May 2003 Manager, Development, Health & Beauty Company
Apr. 1989 Joined the Company



Yukiko Yabu

(Date of birth: June 23, 1958)

Outside Director

Position, Career Summary (significant concurrent positions)

June 2014 Director (to the present)
Mar. 2014 Resigned from Panasonic Corporation
Apr. 2013 Director of Consumer Research & Group Manager of Global Marketing Planning Center
Appliances Company, Panasonic Corporation
Jan. 2011 Director of Global Consumer Research Center
Corporate Brand Strategy Division, Panasonic Corporation
Apr. 2006 Director of Lifestyle Value Research Laboratory, R&D Division
Appliances Company, Panasonic Corporation
Apr. 1981 Joined Panasonic Corporation
(Significant concurrent positions) Outside Director,
TAKARA HOLDINGS, INC.



Junichi Narahara

(Date of birth: February 20, 1958)

Director

Position, Career Summary (significant concurrent positions)

June 2016 Director
Clean & Care Sales Group, National Account - Eastern Japan & Western Japan (to the present)
Apr. 2016 Director, Clean & Care Sales Group
Apr. 2015 Director & General Manager, Clean & Care Sales Group
Mar. 2014 Director, Western Japan, Clean & Care Group
June 2009 Director & General Manager, Mister Donut Business Group
Oct. 1982 Joined the Company



Osaharu Fujii

(Date of birth: September 25, 1958)

Director

Position, Career Summary (significant concurrent positions)

June 2016 Director
Legal Affairs & Corporate Compliance, Quality Assurance & Risk Management, International, New Business Development (to the present)
Apr. 2016 Director
Public Relations, Legal Affairs & Corporate Compliance, International, New Business Development
Mar. 2014 Director
Corporate Planning, Corporate Management, Public Relations, Legal Affairs & Corporate Compliance, International, New Business Development
June 2013 Director
Corporate Planning, Overseas Business Development, New Business Development
Manager, Corporate Management
Chairman & CEO, Duskin Hong Kong Co., Ltd.
Apr. 2010 Joined the Company
Manager, New Business Development
Apr. 2008 General Manager, Osaka-Nishi Corporate Business Office
Sumitomo Mitsui Banking Corporation



Tadashi Yamamoto

(Date of birth: November 14, 1952)

Outside Director

Position, Career Summary (significant concurrent positions)

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



Junko Katada

(Date of birth: February 21, 1963)

Outside Director

Position, Career Summary (significant concurrent positions)

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



Yasuto Shigeyoshi

(Date of birth: November 27, 1957)

Audit & Supervisory
Board Member

Position, Career Summary (significant concurrent positions)

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



Takashi Yoshida

(Date of birth: November 25, 1961)

Audit & Supervisory
Board Member

Position, Career Summary (significant concurrent positions)

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



Takaaki Oda

(Date of birth: May 31, 1962)

Outside Audit &
Supervisory Board Member

Position, Career Summary (significant concurrent positions)

June 2014 Audit & Supervisory Board Member (to the present)
May 2002 Partner, Miyake & Partners (to the present)
Jan. 1995 Partner, Miyake Godo Law Office
Apr. 1998 Registered at Osaka Bar Association, and joined Miyake Godo Law Office
Oct. 1985 Passed National Bar Examination
(Significant concurrent positions)
Outside Director, New Japan Chemicals, Co., Ltd.



Sachiko Kawanishi

(Date of birth: January 22, 1959)

Outside Audit &
Supervisory Board Member

Position, Career Summary (significant concurrent positions)

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



Kyoichiro Arakawa

(Date of birth: February 23, 1970)

Outside Audit &
Supervisory Board Member

Position, Career Summary (significant concurrent positions)

June 2016 Audit & Supervisory Board Member (to the present)
Sept. 2007 Director MIT Corporate Advisory Services, Co., Ltd. (to the present)
July 1997 Joined KPMG Century Audit Corporation (current KPMG AZSA LLC)
Apr. 1997 Registered as Certified Public Accountant
Oct. 1992 Joined Showa Ota & Co. (current Ernst & Young ShinNihon LLC)
(Significant concurrent positions)
Director, MIT Corporate Advisory Services Co., Ltd.
Executive Officer, Oak Co., Ltd.
Outside Audit & Supervisory Board Member, Mishima Corporation

Third-Party Opinion



Eiichiro Adachi

Counselor, The Japan Research
Institute, Limited

The Duskin Report 2016 integrates financial information such as Duskin's management strategies and business performance for FY2015, and non-financial information such as CSR activities. Based on my understanding of this editorial policy, it is my pleasure to submit the following third-party opinion.

I have had an impression that Duskin is a company with a clear management philosophy, and I renewed my impression through reviewing this Report. Another unique feature of Duskin is its business activities based on the franchise system. More details on its overall operation and strengths, including explanation of the structure and feature of its franchise agreement as intellectual capital would be helpful for better understanding.

Although franchised units are included in the scope covered in this Report, they are not clearly mentioned in some of the report content in the non-financial sections.

Information regarding franchisees could be enhanced, expanded upon, particularly in the sections of "Safety, Reliability & Quality," "Human Resources," and "Environment."

It is noteworthy that the process for identifying materiality is described in some detail. However, perspectives in terms of the potential negative and positive impacts of Duskin's business activities on society and the environment seemed to be insufficient. I expect further enhancement of information disclosure in light of the view of materiality described in the guiding principles of the International Integrated Reporting Framework. Today, food loss is an issue of great concern. The UN Sustainable Development Goals set an objective to "halve per capita global food waste at the retail and consumer level, and reduce food losses along production and supply chains, including post-harvest losses." It would therefore be appreciated if information regarding disposal of waste donuts was more clearly disclosed in this Report. Meanwhile, the Report mentions that Duskin was designated as an operator of the National Strategic Special Zone project of using foreign workers to provide housekeeping support. In relation to the implementation of this project, disclosure of information regarding protection of the human rights of foreign workers will become necessary in the future.

In light of "Strategic focus and future orientation," one of the guiding principles of the International Integrated Reporting Framework, more detailed information on life care services should be disclosed, focusing on the social issues identified by Duskin, and the know-how and service capabilities that Duskin can provide. Duskin is also expected to be prepared to respond to various situations pertaining to aged users of its services. Details of such preparatory measures should also be disclosed to the extent possible.

Adding information on the "Setting of the Day of Resolve", and the disclosure of the changes in the number of hotline users and the number of complaint calls to call centers are important and these details should be appreciated by readers of the Report. Sharing successful cases of solutions and improvements in the future reports would be also beneficial. I hope Duskin will continue to enhance its efforts in stakeholder engagement and CSR activities to achieve its objective of becoming a trustworthy and reliable company.

In response to this third-party opinion

We would like to express our sincere appreciation to Mr. Adachi for providing valuable opinions and comments to our report on Duskin Group activities. The Duskin Report 2016 is an integrated report on both financial and non-financial information, issued for the purpose of clearly communicating Duskin's approach and initiatives for a sustainable society. In addition to disclosing the focused areas of efforts in our CSR activities, we have identified materiality aspects in terms of stakeholder engagement and featured our initiatives addressing the materiality issues under "Topics" in this report. We appreciate the favorable evaluation concerning the initiatives we have promoted. At the same time, we sincerely accept the issues and challenges pointed out. We will continue our efforts to respond to the expectations and trust of our stakeholders by implementing CSR activities that will lead to the further improvement of our corporate value and the realization of a sustainable society.

Corporate Planning, Duskin Co., Ltd.

Corporate Information

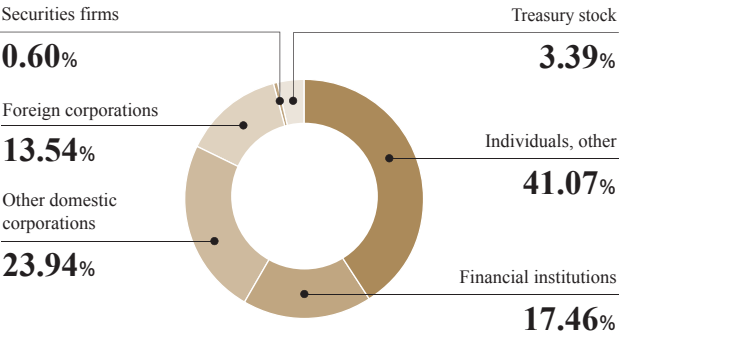
History of Duskin

Feb. 1963	Established Sani-Clean Company.
Nov.	Opened Suita Laundry Plant as our first plant, manufacturing dust control products.
June 1964	Changed company name to Duskin Co., Ltd.
Oct.	Began selling "Home Duskin" product throughout Japan.
Aug. 1969	Granted full membership of International Franchise Association (IFA), the first time for a Japanese company.
Jan. 1971	Started ServiceMaster business.
Apr.	Started Mister Donut business. Opened the first shop of Mister Donut business in Minoh-shi, Osaka.
July	Started business that rents industrial wipe cloths by reutilizing scrapped Home Duskin cloths.
Nov. 1976	Started sales of cosmetics through tie-up with AGA Co., Ltd. (current Health & Beauty)
Apr. 1977	Started pest control business. (current Terminix)
Aug.	Opened the first branch of Rent-All business.
Dec. 1978	Started uniform rental business. (current Uniform Service)
July 1982	Started management service of medical institutions. (currently operated by Duskin Healthcare Co., Ltd.)
July 1989	Started Merry Maids business.
Dec.	Started Café Du Monde business.
Sept. 1990	Corporate Headquarters, Duskin Pia, completed in Esaka, Osaka.
Dec. 1991	Started THE DON business.
Oct. 1993	Started new franchise system, "Duskin Serve 100" organization.
Dec. 1994	Started dust control business in Taiwan.
Feb. 1999	Opened the first restaurant of Katsu & Katsu business.
Apr.	Started Catering business. (current Drink Service)
Nov.	Started TruGreen business.
May 2000	Started Mister Donut business in Shanghai, China.
June	Started Home Instead Senior Care business.
Apr. 2003	Placed Quality Assurance Committee to establish quality assurance structure within the company. (now Quality Assurance & Environment Committee)
Apr.	Established Compliance Promotion Committee to build compliance structure within the company. (now Compliance Committee)
Sept. 2004	Entered into comprehensive capital and business alliance with Mitsui & Co., Ltd.
Oct.	Started Mister Donut business in Taiwan.
Nov. 2006	Started dust control business in China (Shanghai).
Dec.	Duskin shares listed on the first sections of Tokyo Stock Exchange and Osaka Securities Exchange. *The cash equity markets of Tokyo Stock Exchange and Osaka Securities Exchange were integrated on July 16, 2013.
Apr. 2007	Started Mister Donut business in South Korea.
Feb. 2008	Entered into capital and business alliance with MOS FOOD SERVICES Inc.
Oct. 2010	Acquired Azare Products Co., Ltd. and Kyowa Cosmetics Co., Ltd. as wholly-owned subsidiaries.
Aug. 2011	Opened the first Mister Donut shop near Kuala Lumpur, Malaysia.
Mar. 2012	Started dust control business in Korea.
May	Acquired Hachiya Dairy Products Co., Ltd. as a wholly-owned subsidiary.
Apr. 2013	Duskin Kyoeki Co., Ltd. and Duskin Insurance Service Co., Ltd. merged. (surviving corporation: Duskin Kyoeki Co., Ltd.)
Apr.	Established MD Food Co., Ltd. which operates Mister Donut shops.
Mar. 2014	Acquired Chugai Sangyo Co., Ltd. as a wholly-owned subsidiary.
June	Started ICE DE LION business.
Nov.	Started The Chiffon & Spoon business.
Nov.	Started Bakery Factory business.
May 2015	Opened the first Mister Donut shop in Jakarta, Indonesia.
Oct.	Started Pie Face business.
Oct.	Opened the Duskin Museum.
Oct.	Established Duskin Ina Co., Ltd.
Dec.	Established Duskin Yatsushiro Co., Ltd.
Dec.	Established Duskin Kagoshima Co., Ltd.
Jan. 2016	Established MD Food Tohoku Co., Ltd.

Stock Summary (as of March 31, 2016)

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
Total number of authorized shares	200,000,000 shares
Total number of shares issued	57,494,823 shares
Number of shareholders	40,415
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Independent auditor	Ernst & Young ShinNihon LLC

Types of shareholders



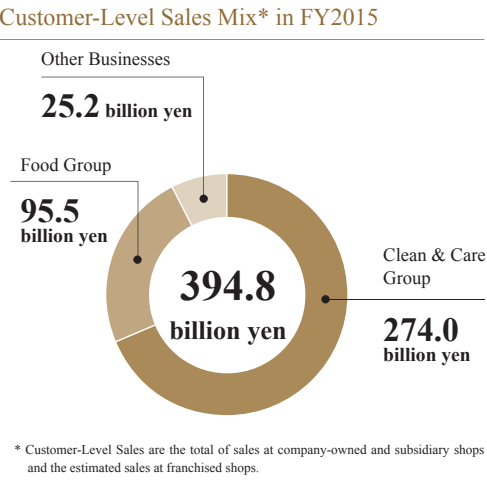
Major shareholders (top ten shareholders)

Name	Number of shares owned (unit: 1,000 shares)	Ownership ratio (%)
Duskin Employee Stock Ownership Plan	1,906	3.43
Nippon Flour Mills Co., Ltd.	1,800	3.24
Japan Trustee Services Bank, Ltd. (Trust Account)	1,759	3.16
Hirokata Ogasawara	1,515	2.72
Mitsui & Co., Ltd.	1,470	2.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,349	2.42
Duskin Franchisee Stock Ownership Plan	1,027	1.84
Sumitomo Mitsui Banking Corporation	840	1.51
CBNY-GOVERNMENT OF NORWAY	825	1.48
Japan Trustee Services Bank, Ltd. (Trust Account 9)	801	1.44

(Notes) 1. The Company is not included in the list of major shareholders above though it owns 1,948,572 shares in treasury stock.
2. Treasury stock is not considered in calculation of the ownership ratio.

Corporate Information

Name	DUSKIN CO., LTD.
Head Office	1-33 Toyotsu-cho, Suita-shi, Osaka 564-0051 TEL 0120-100-100 (Duskin Call Center)
Representative	Teruji Yamamura, President & CEO
Date Established	February 4, 1963
Capital Stock	11.3 billion yen (as of March 31, 2016)
Sales (non-consolidated)	138.6 billion yen (FY2015)
Sales (consolidated)	165.2 billion yen (FY2015)
Customer-Level Sales*	394.8 billion yen (FY2015)
Number of Employees (non-consolidated)	1,960 (as of March 31, 2016)
Number of Employees (consolidated)	3,538 (as of March 31, 2016)



Regional Offices (as of March 31, 2016)

Hokkaido Regional Office	5-1-15 Hachiken 7Jo Higashi, Nishi-ku, Sapporo-shi, Hokkaido 063-0867 TEL 011-738-0760
Tohoku Regional Office	2-23 Okaji, Miyagino-ku, Sendai-shi, Miyagi 983-0835 TEL 022-293-4471
Tokyo Regional Office	P.O. Box 47, 23F. Shinjuku Sumitomo Bldg. 2-6-1, Nishi Shinjuku, Shinjuku-ku, Tokyo 163-0223 TEL 03-5909-6720
Kita Kanto Regional Office	2-43-1, Miyahara-cho, Kita-ku, Saitama-shi, Saitama 331-0812 TEL 048-654-4038
Minami Kanto Regional Office	P.O. Box 47, 23F. Shinjuku Sumitomo Bldg. 2-6-1, Nishi Shinjuku, Shinjuku-ku, Tokyo 163-0223 TEL 03-5909-6735
Tokai Hokuriku Regional Office	9F Denpa Gakuen Kanayama Daini Bldg. 1-7-8 Kanayama-cho, Atsuta-ku, Nagoya-shi, Aichi 456-0002 TEL 052-678-1236
Kinki Regional Office	5-32 Yoshino-cho, Suita-shi, Osaka 564-0054 TEL 06-6821-7200
Chugoku Shikoku Regional Office	2-12-11 Kogo Naka, Nishi-ku, Hiroshima-shi, Hiroshima 733-0822 TEL 082-274-8730
Kyushu Regional Office	2-14-10 Doi, Higashi-ku, Fukuoka-shi, Fukuoka 813-0032 TEL 092-691-7567

Subsidiaries & Affiliates (as of March 31, 2016)

Duskin Serve Hokkaido Co., Ltd.	Kyowa Cosmetics Co., Ltd.	MD Food Tohoku Co., Ltd.
Duskin Serve Tohoku Co., Ltd.	Chugai Sangyo Co., Ltd.	Don Co., Ltd.
Duskin Serve Kita Kanto Co., Ltd.	Wakura Duskin Co., Ltd.	Ever Fresh Hakodate Co., Ltd.
Duskin Ina Co., Ltd.	Ono Duskin Co., Ltd.	Hachiya Dairy Products Co., Ltd.
Duskin Serve Tokai Hokuriku Co., Ltd.	Duskin Product Hokkaido Co., Ltd.	Duskin Kyoeki Co., Ltd.
Duskin Serve Kinki Co., Ltd.	Duskin Product Tohoku Co., Ltd.	Duskin Healthcare Co., Ltd.
Duskin Serve Chugoku Shikoku Co., Ltd.	Duskin Product Higashi Kanto Co., Ltd.	Duskin Shanghai Co., Ltd.
Duskin Serve Kyushu Co., Ltd.	Duskin Product Nishi Kanto Co., Ltd.	Duskin Hong Kong Co., Ltd.
Duskin Yatsushiro Co., Ltd.	Duskin Product Tokai Co., Ltd.	MISTER DONUT SHANGHAI CO., LTD.
Duskin Kagoshima Co., Ltd.	Duskin Product Chu Shikoku Co., Ltd.	Duskin Serve Taiwan Co., Ltd.
Duskin Shuttle Tokyo Co., Ltd.	Duskin Product Kyushu Co., Ltd.	PULMUONE DUSKIN CO., LTD.
Azare Products Co., Ltd.	MD Food Co., Ltd.	Mister Donut Taiwan Co., Ltd.

Overseas Development (as of December 31, 2015)



Dust Control

A circle of cleanliness extended throughout the world

Duskin started our Dust Control business in Taiwan in 1994. In 2006, the business started in booming Shanghai, and a joint venture company was established. In 2012, we entered South Korea and continue to develop in both residential and commercial markets.

Three markets:
24 locations

Taiwan, Shanghai, and South Korea

Mister Donut

Good taste offered at Mister Donut is welcomed beyond the borders.

Mister Donut has already expanded its business in six markets, Shanghai, Taiwan, South Korea, Thailand, Philippines, and Malaysia. In addition to these markets, we opened the first Mister Donut shop in Indonesia in May 2015. The great taste of Mister Donut is loved in these overseas markets.

Seven markets:
3,511 locations

Thailand, the Philippines, Shanghai, Taiwan, South Korea, Malaysia, and Indonesia