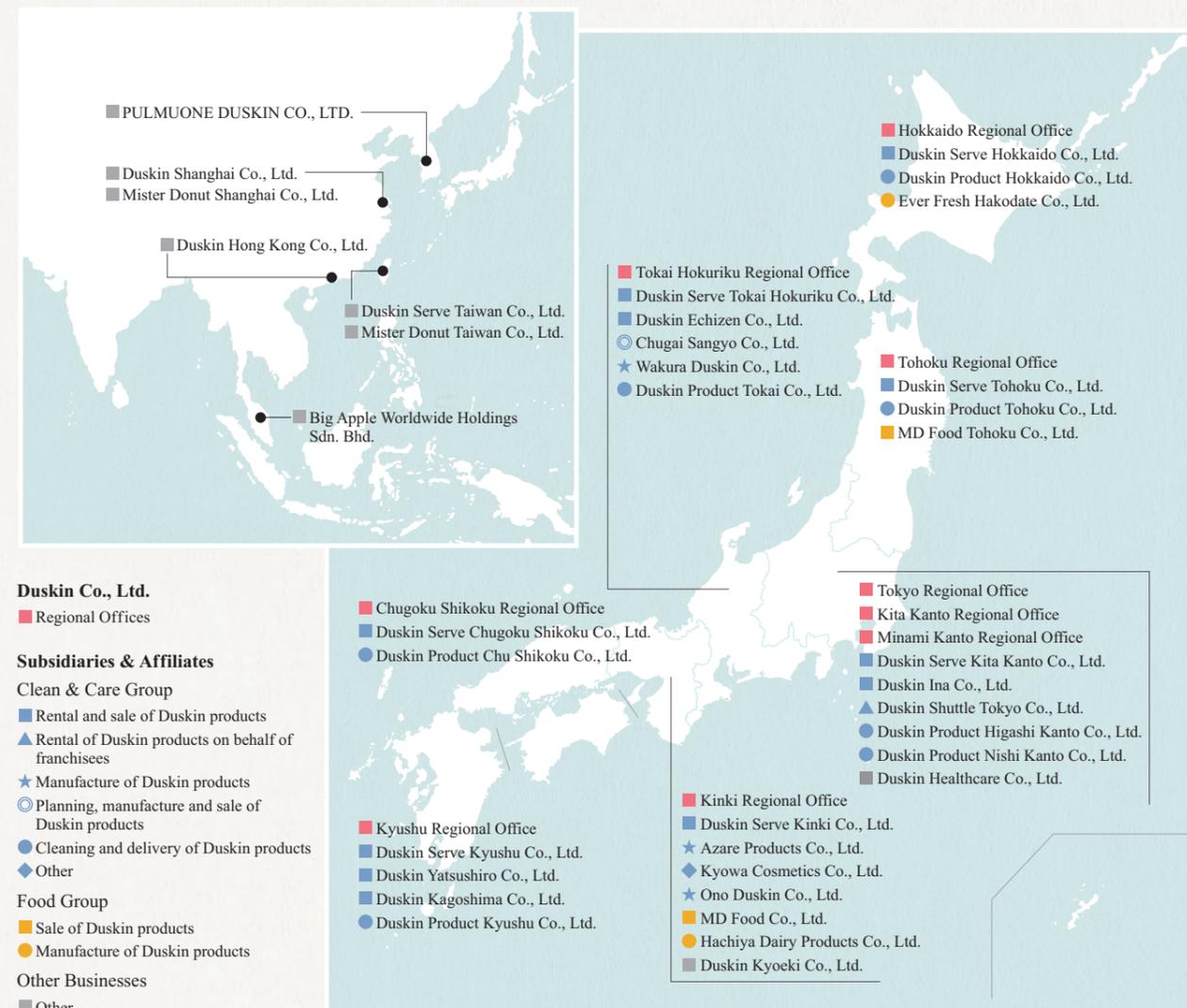


CORPORATE  
REPORT 2017

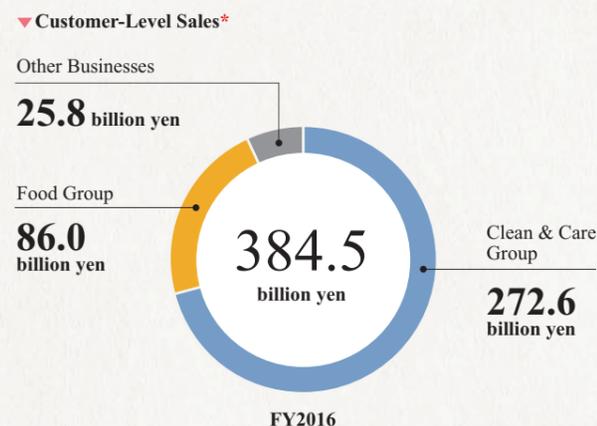
Offices, Subsidiaries and Affiliates



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, 2017)
Sales	134.2 billion yen (non-consolidated) 161.8 billion yen (consolidated)
Customer-Level Sales*	384.5 billion yen
Number of Employees	1,954 (non-consolidated) 3,528 (consolidated)

\* Customer-Level Sales are the total of sales at company-owned and subsidiary units and the estimated sales at franchised units.



Format and Purpose of Report Media

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



② Duskin Corporate Report: A comprehensive report containing both financial information such as Duskin’s management strategies and business performance, and non-financial information such as CSR activities. This report is compiled under the five focused themes of CSR activities: “Safety, Reliability & Quality,” “Human Resources,” “Environment,” “Local & Social Contributions,” and “Corporate Governance.” Our website versions in PDF format are available both in Japanese and English. We are continuously striving for superior information disclosure for a wider range of stakeholders.



Reference Guidelines

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

Period Covered

Period covered for this report is from April 2016 through March 2017. However, reports of FY2015 and before and some activities from FY2017 are also included.

Scope of Coverage

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

Time of Issue

August 2017 (Next issue: August 2018)

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

# We aim to deliver

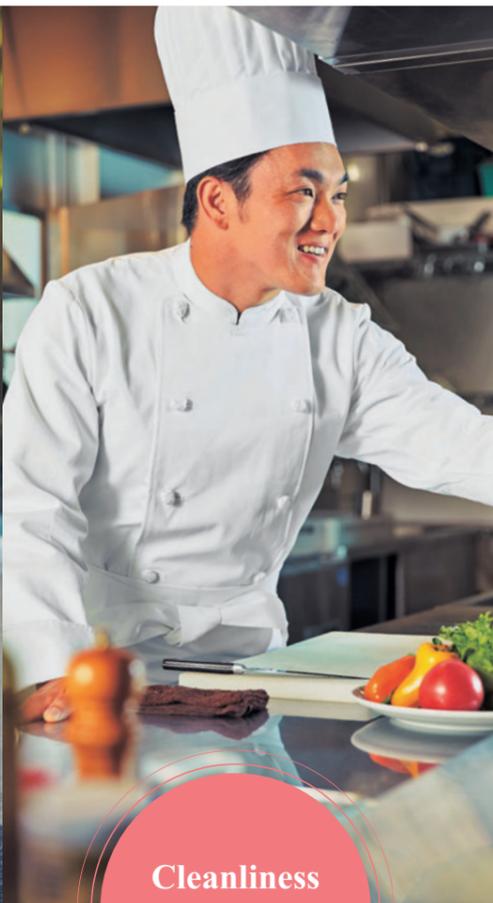
Duskin Group develops various businesses to make customers' and restaurants and shops to provide a wide range of delicious we share one dream: to keep providing the best services to meet more customers' needs more than anyone else and to do our best to meet to brighten their daily lives with more smiles, Duskin continues

# attentive service.

home and business environments more comfortable, food. Regardless of what businesses we operate, customers' needs. Being attentive means for us to anticipate our every single expectation they have. To be closer to our customers and to provide attentive services with our creativity and originality.



**Comfort**  
in pleasant spaces



**Cleanliness**  
for safety  
and reliability



**Convenience**  
and ease of use



**Delectable foods**  
and fun times



**Healthy life**  
with happy smiles



**Attention**  
to ensure safety

## The Core of Duskin

### Our founder's philosophy remains alive.

Our utmost focus is consideration for our customers, based on our founder's philosophy which remains alive over generations. His principles in life are reflected in our management philosophy called "Prayerful Management," and all employees recite and practice every day to incorporate this philosophy in our activities.

### Sow the Seeds of Joy within people and communities.

#### 1. Profit is the reward of joyous transactions.



Duskin's founder, Seichi Suzuki, pursued his quest for truth throughout his life, with a pledge to be spiritually ready to take a path of loss whether his lot be profit or loss. He believed "Profit is the reward of joyous transactions," and energetically continued his businesses, wishing that everyone who took part in Duskin's activities would become happy. In 1964, he brought out "Home Duskin," and it was a big step to realize his wish. Home Duskin was called "the magic dust cloth," because its feature of removing dust without water reduced burdens of cleaning. It brought cleaning innovation to Japanese households.



#### 2. Franchise to fulfill the philosophy.

When Duskin was founded, our Dust Control business was an innovative service. Seichi Suzuki adopted the franchise system to spread this business so that everyone who agreed with Duskin's philosophy, Sowing the Seeds of Joy, could use this business as an opportunity for their success. Our headquarters and franchisees are united in a strong relationship, follow the same philosophy of Sow the Seeds of Joy, and grow the businesses, sharing in each other's fortune and future. This is what we wish to be as a franchising company.

#### 3. Franchising is a way of life.



Currently, Duskin has 7,395 sales units nationwide. At Duskin, we believe the franchising system enables us to be affluent spiritually and materially, support each other and continue to grow together. "Franchising is a way of life" means that franchising brings not only success in business but also success in life.

## Management Philosophy

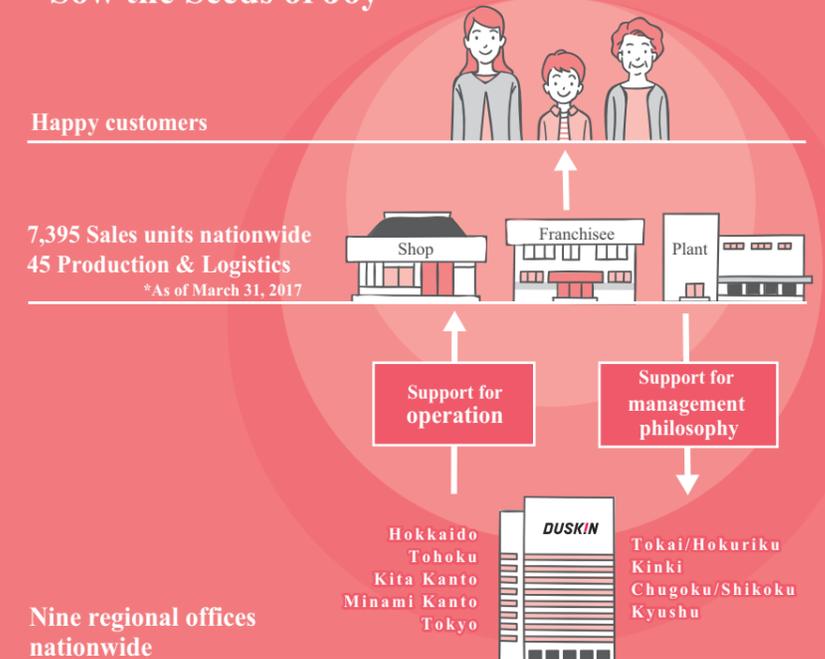
Day after day, beginning with today  
both you and I have a chance  
to begin our lives anew.

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.

### Franchise system to "Sow the Seeds of Joy"



#### Seichi Suzuki Duskin Founder

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



“I strive to provide a valuable service to keep attracting our customers to the restaurant.”

(Katsu & Katsu)

“Building a good relationship with our customers – like a family.”

(Merry Maids)

“I want to have customers know how delicious our freshly-made bread is.”

(Bakery Factory)

“I want to not just exchange rental items, but also help our customers live their lives more comfortably.”

(Health Rent)

“My focus is on continuing responsiveness and meticulous inspections.”

(Terminix)

“Planning and designing events, taking into consideration how our customers intend to organize the events.”

(Rent-All)

**Being Attentive**

What are our various  
to be attentive to

staff members doing  
our customers?

“I am sensitive to customers’ needs, paying close attention to what they say in casual conversation.”

(Health & Beauty)

“Providing delicious donuts that we can recommend with confidence.”

(Mister Donut)

“When I serve customers, I put much importance on companionship and relationships with them.”

(Home Instead)

“I place communication with customers above all else.”

(Total Green)

“Building trust in relationships with customers.”

(Dust Control)

“Impressing our customers by providing quality service beyond their expectations.”

(ServiceMaster)

“I’m always trying to be sincere, and to think of what will be the best for our customers.”

(Health Rent)



A wide range of products and services to bring happy smiles to customers' lives and communities

Helping to make every day more pleasant

**Clean & Care Group**

Rental and sales of cleaning products  
**Dust Control**

1,979 units

Professional cleaning service  
**ServiceMaster**

1,064 units

Pest control and prevention services  
**Terminix**

537 units

Providing a variety of delicious food

**Food Group**

Homemade donuts and a variety of menu items  
**Mister Donut**

1,158 shops

Convenient house cleaning  
**Merry Maids**

745 units

Maintaining plants and flowers  
**Total Green**

114 units

Fixing wear and tear  
**Home Repair**

Started in April 2017

113 units

Rental, sales, and cleaning of uniforms  
**Uniform Service**

212 units

Cafés specializing in café au lait and beignets  
**Café Du Monde**

5 shops

Pork outlet restaurants with quality ingredients  
**Katsu & Katsu**

13 restaurants

Cosmetics and health food  
**Health & Beauty**

482 units

Delivery of mineral water and coffee  
**Drink Service**

659 units

Rental of special event and daily-use items  
**Rent-All**

113 units

Rental and sales of home health care items  
**Health Rent**

144 units

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

3 shops

Chiffon cake specialty shops  
**The Chiffon & Spoon**

9 shops

Quality home care for seniors  
**Home Instead**

105 units

Sanitary environments for medical institutions  
**Duskin Healthcare**

218 units

Pie specialty stores introduced from Australia  
**Pie Face**

3 shops

Hamburger and donut shops  
**MOSDO**

2 shops

Number of units in operation in Japan (as of March 31, 2017)  
As some units operate multiple brands, the total number of units may differ from the actual number of units.

# Clean & Care Group

## Services tailored to each customer to bring more comfort every day

Our wish is for every customer to live happily in a comfortable space. With a support structure to help customers utilize our services, Duskin offers three options to meet customers' needs: rental, products, and services.

### 01 Rental

Always clean and eco-friendly



Our rental services cover customers' needs from cleaning and sanitary products to home health care equipment. We help our customers enjoy a clean, convenient, and eco-friendly lifestyle.

### 02 Products

High quality and convenient



Our housekeeping, health and beauty products and services have been developed through a close study of customers' needs and lifestyles. We support customers in their efforts to stay comfortable and healthy.

### 03 Services

Professional focus on cleanliness and comfort



Our professional services meet customers' needs such as removing stubborn stains that cannot be handled in daily cleaning, and controlling pests.

## + Support

### Three channels for solutions



We respond promptly to customers' needs and problems through sales representatives, our Call Center, and the membership website.



## Dust Control



### Solutions to maintain a clean and comfortable environment for homes, offices and shops

We offer a wide range of services that help make customers' everyday living more comfortable. The services range from the rental of cleaning products such as mops, to housekeeping, pest control, and garden care. Duskin also provides offices and shops with services that create a comfortable work environment, such as the rental of mats and air purifiers, and hygiene management service for commercial kitchens and lavatories.

### Direct delivery to meet customers' specific needs

Our sales representatives regularly visit customers to deliver products. Beyond mere distribution of products, the representatives offer solutions to make customers' lifestyle more comfortable by listening and responding to their requests and needs.

Sales representatives offer the best solutions to customers

Approx. **66,400**  
As of March 31, 2017



### Our network offers attentive support across Japan

Since our founding, Duskin has leveraged our franchise system and developed a structure to effectively deliver products and services to customers across Japan. In this manner, we are able to offer compassionate support to each and every customer.

Duskin's nationwide network  
**1,979** locations  
in Japan  
As of March 31, 2017



### TOPICS

#### The Robot Cleaner SiRo debuts.

We started to rent the Robot Cleaner SiRo to simplify and make customers' daily cleaning easy. As our customers' living environments and lifestyles change, Duskin responds with innovative products and cleaning solutions.



## ServiceMASTER

### Solving cleaning problems with professional skill

Duskin offers professional and comprehensive services to clean residences, offices and shops. Drawing on our expertise, equipment, and power cleaners, we solve problems such as tough stain removal or time-consuming cleaning tasks.



## merry maids

### Offering house cleaning services tailored to the needs of customers

With the Merry Maids signature dedication, our experienced housekeeping staff regularly visit customers to provide cleaning and other home helping services. These services are popular among singles and working couples as the services can be provided while they are away at work. We help customers to fully enjoy their spare time knowing that their home has been skillfully cleaned.



## TERMINIX

### Creating a pest-free environment with safe and eco-friendly methods

Using environmentally friendly methods, our professionals eliminate, control and prevent infestations by roaches, termites and rodents in houses, restaurants and offices. We emphasize preventive control by restoring and creating a hygienic environment.



## Two businesses for creating better living environments

Always seeking to understand and respond to evolving customer needs, Duskin has expanded an existing business and started another new business.

## TotalGreen

### Nurturing green environments filled with fresh plants and flowers

We recently launched Total Green to meet the needs of the Japanese market. In addition to tree, shrub and lawn care, Duskin started sales of tools and goods for small-scale gardening, providing support services for home vegetable gardens, and new flowering plant service menus. We are also introducing a rental service of foliage plants for commercial sites.



NEW

## HomeRepair

### Repairing scratches and scuffs at low cost

We started Home Repair, initially focused on new residential properties. Now, we are expanding our services, making them available for all types and ages of properties. Our highly skilled professionals fix dents in walls or scratches and scuffs on floors in residences, shops and offices.





## Rent-All

### Diverse and useful rental services of special event items and daily-use goods

Our diverse rental services include large event planning, from organization, preparation and transportation, to management of the event. They also range from household articles such as baby-related products to travel items. Duskin provides customers with ideas and products for economical, eco-friendly and comfortable living.



## Uniform Service

### Easy-to-wear uniforms for comfortable and professional work environments

We rent and sell a variety of uniforms for use in different work places including restaurants and medical facilities. Our total support includes cleaning services with scheduled deliveries, coordination and maintenance of uniforms.



## Drink Service

### Delivered beverages that enrich customers' lives at work and home

We offer regularly scheduled delivery service of 100% natural mineral water from carefully selected sites and delicious aromatic coffee. Handy water and coffee servers are also available for rent.



## Health & Beauty

### Natural-based cosmetics and health food for health and beauty

Duskin offers skin care products that help bring out the natural healing power of healthy skin, and health food items made from natural ingredients. We help customers age beautifully in good health.



## Senior and healthcare businesses addressing essential needs in our lives

We rent and sell easy-to-use assisted living equipment for caregivers to help seniors live a comfortable life. Duskin also provides services to create sanitary environments for medical and related institutions.



## Health Rent

### Equipment to help users and caregivers live a comfortable life

We rent and sell easy-to-use equipment for customers to support independent living and to create safe and comfortable living conditions.



## Home Instead

### Senior care services including dementia care and personal services

Home Instead services range from dementia care services to personal services and housekeeping assistance, helping seniors live in comfort, in their own homes. Our comprehensively-trained CAREGivers, following a customized service plan, cater to the different needs and problems of each client.



\*Offered services are not covered by long-term care insurance.



## Duskin Healthcare

### Sanitary management service for medical and related facilities

Our services include cleaning hospitals, advanced hygiene control in operating rooms and aseptic rooms, and sterilization and sterile handling of medical equipment. With our specialized management services for efficient cleaning and sterilizing processes, we provide support to create comfortable and sanitary hospital and clinic environments.



\*100% subsidiary of Duskin Co., Ltd.

# Food Group

## Delicious foods served with compassionate hearts to bring smiles

With the goal to create a happy and excellent customer experience with delicious foods, we strive to continue developing better products while ensuring that our stores remain clean and comfortable. We cultivate our signature hospitality mindset among our staff, supporting their focus to serve customers with the utmost courtesy.

### 01 Hospitality

Deliciousness and comfort with warm hospitality



Each staff member strives to provide heartfelt services and serve products with a smile, focusing on a satisfying customer experience.

### 02 Q.S.C. (Quality, Service and Cleanliness)

Q.S.C. improvement, the basis of all the services at each store



Improved quality, service, and cleanliness enables each store to consistently meet and exceed customers' expectations.

### 03 Mindset & Attitude

Mindset to think and act proactively



We encourage each staff member to consider and do whatever is needed to make our stores comfortable for every customer.



## To deliver "something good," new Mister Donut sets off!

Something good's gonna happen.  
**Mister Donut**

Mister Donut serves our customers face to face. The shops have been designed to be comfortable spots to casually drop in. There, families and friends enjoy the happy moment of choosing a donut and taking that first big satisfying bite.

And we are planning to go further. We want to provide "something good" to bring more surprising and joyful moments. We want our customers to experience "something good" at our shops every time they visit. These wishes have inspired us to create a whole new level of Mister Donut.



### Creating new values through various products and campaigns

We are developing new products and promotional plans to meet diverse customers' needs and to deliver new and delicious experiences. In 2017, we set up the theme, "MISDO meets" to innovate new products and to offer new taste sensations to our customers. We are also introducing a new product category for health conscious customers called "Double Rings for Your Health."



Double Rings for Your Health



### New types of shops for changing customers' needs

To get more exposure, we are opening new shops around railway stations, in station buildings and at commercial facilities in urban areas. With these new shops, including take-out only and café-style shops, we are improving the convenience of purchase opportunities and experiences.

**1,158** shops  
providing good food and  
good fun all across Japan  
As of March 31, 2017



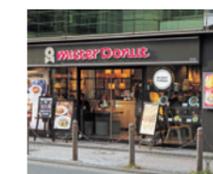
### Mister Donut to go

These take-out only shops provide good fun with donuts as gift to bring to home or office. Customers can just grab and go.



### Mister Donut Café

Café-type shops provide a variety of light meal and drink menus, making this shop a perfect place for work breaks and meetings.



## Foods and fun times anytime, anywhere

Through our meals, desserts and enhanced menu items, we provide delectable experiences and enjoyable moments. All customers are welcome, from small children to grown adults, with the best foods and warmest hospitality.



**Café Du Monde**

### Deliciousness developed in New Orleans

Originated in New Orleans, we brought this brand to Japan. Here we provide the same delicious café au lait, rich in taste and aroma and made of coffee blended with chicory, accompanied by fresh square-shaped donuts called beignets.



**The Chiffon & Spoon**

### Specializing in light and moist chiffon cakes

Carefully made in our on-site kitchen, we serve a new style of light and moist chiffon cakes that customers can eat with a spoon.



**Katsu & Katsu**

### Freshly-fried pork cutlets make the entire family smile in delight.

We offer a crispy freshly-fried pork cutlet, soft and juicy, with original bread crumb coating providing a perfect crunch. In addition to this signature dish, our menu features a wide variety for families to choose from.



**Pie Face**

### Unique pie concept from Australia

We offer sweet and savory tastes, including traditional Australian meat pies. Our coffee and pies, which have a unique face piped on the pastry, are enjoyed and savored.



**Bakery Factory**

### Large-scale bakery shops serving bread fresh from the oven

Based on the concept of a bakery with the freshest bread, Bakery Factory offers more than 100 varieties of bread in our bright and spacious shops.



### Collaboration with MOS Burger serving freshly-made, tasty items

MOSDO, a brand launched under a business collaboration between MOS Food Services and Duskin, offers customers popular items from both brands, such as hamburgers and donuts.



Having introduced businesses from around the world into Japan, Duskin now evolves and expands these unique businesses into overseas markets.

Since our founding, Duskin has adopted business models from overseas, such as the dust control system and franchise systems. Through business alliances, Mister Donut, ServiceMaster, Rent-All, and Home Instead were introduced. Combining courteous and attentive services, we have developed these businesses into uniquely Duskin style businesses. Today, we are expanding three businesses to overseas markets.

DUSKIN



Mister Donut



DUSKIN

Dust Control business

A circle of cleanliness extends overseas

Duskin started Dust Control business in Taiwan in 1994. We entered Shanghai, China in 2006, a time of overall business growth and opportunity. In 2012, we entered South Korea and continue to develop both residential and commercial markets.

3 markets: 25 locations

Taiwan, Shanghai, and South Korea  
As of December 31, 2016

Mister Donut



South Korea

Shanghai

Taiwan

Thailand

Cambodia

Malaysia

Indonesia

The Philippines

DUSKIN



DUSKIN



Mister Donut



Mister Donut



Mister Donut



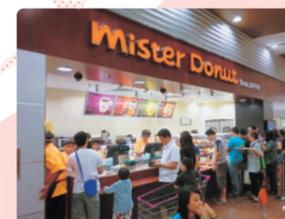
BIG APPLE DONUTS & COFFEE



BIG APPLE DONUTS & COFFEE



Mister Donut



Mister Donut

Mister Donut business

Mister Donut is welcomed beyond borders.

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

6 markets: 4,190 locations

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

As of December 31, 2016

BIG APPLE DONUTS & COFFEE

Every Piece Is A Masterpiece

Big Apple business

Combining Duskin with a foreign brand

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

We implement initiatives to work towards a growth track, always bearing in mind that Sowing the Seeds of Joy underpins our business practice.



**Teruji Yamamura**  
President & CEO

Duskin, guided by its philosophy of Prayerful Management since its founding in 1963, has pursued its vision of uniting moral and economic goals. Motivated by the intention to promote happiness among our customers, staff members, and society, we have committed ourselves to Sowing the Seeds of Joy, and will continue to make every effort to fulfill our mission. FY2016 was the second year of Medium-term Management Policy 2015 with its theme of Commitment & Action. We undertook reforms for a sales recovery and established initiatives to build a foundation for business expansion. We are close to completing our review of the feasibility of strategies and policies in all business segments, and we are accelerating initiatives in FY2017, the final year of the Policy towards a growth track.

With our ONE DUSKIN plan, a nine-year strategy from FY2015 through FY2023, our goal is to become a customers' lifelong service provider, responding to their needs at different stages of life. We continue our efforts to contribute to making customers' life comfortable, meeting their needs, both materially and spiritually. Through these efforts, we will achieve sustainable growth and improve corporate value.

**FY2016 results**

**Positive outcome led by structure reform efforts**

Clean & Care Group continued to reinforce and diversify our customer contacts. Food Group implemented initiatives to rebuild the Mister Donut brand and to develop new businesses that will become the next pillars of Food Group.

Through these initiatives, Clean & Care Group posted higher sales and income. Food Group recorded lower sales. Consolidated sales were 161,880 million yen, down 2.0% from the previous year. Consolidated operating profit was 6,069 million yen, up 13.0% from the previous year. This is due to improved cost ratio from a decrease in the cost of Style Cleaner and lower cost of purchasing raw materials. Consolidated ordinary profit was 7,554 million yen, up 12.6% from a year earlier. Profit attributable to owners of parent was 4,318 million yen, up 44.8 % from the previous year.

The structure reform efforts we initiated several years ago have yet to yield result in the business performance. In FY2016, we started to see some positive outcome, which will lead to growth going forward in the coming years.

Among our management policies, Duskin views profit returns to shareholders as one of its priorities. Our basic policy is to continue to pay stable dividends. In FY2016, Duskin paid an interim dividend of 20 yen per share and a year-end dividend of 20 yen per share for a total of 40 yen.

**The goal of ONE DUSKIN**

**All the businesses within the Duskin Family share in the vision to be a most trusted service provider**

In 2015, Duskin Group developed its long-term strategy, ONE DUSKIN plan. The plan was created with three goals: ONLY ONE, NUMBER ONE, and ALL FOR ONE.

The first goal, ONLY ONE, is to be a unique group of companies where franchisor and franchisees share the management philosophy and serve the common goal of creating communities where people are connected, safe, and live happily. Duskin Group has placed an emphasis on sharing the management philosophy with our franchisees since our founding. Sharing fortune and future, Duskin and our franchisees are committed to achieving the ONE DUSKIN goal.

The next goal, NUMBER ONE, is to be the most trusted franchise business in the community. Many franchise owners operate their business in their hometown and their familiarity with their communities and people is a strength. With their strength, they can proactively anticipate customer needs and provide solutions accordingly, and thereby becoming the most trusted service provider in the community.

In the last goal, ALL FOR ONE, all business units and services join to respond to the needs of our customers. Duskin operates many businesses through different franchisees, but for customers Duskin is one. Some franchisees are engaged in multiple

**Consolidated financial results for FY2016 and full-year forecast for FY2017**

		FY2015	FY2016	FY2017 (forecast)	Increase/decrease	Increase/decrease (%)
<b>Sales</b>	(millions of yen)	165,203	<b>161,880</b>	165,000	-3,322	-2.0
<b>Operating profit</b>	(millions of yen)	5,372	<b>6,069</b>	6,600	697	13.0
<b>Ordinary profit</b>	(millions of yen)	6,707	<b>7,554</b>	8,000	846	12.6
<b>Profit attributable to owners of parent</b>	(millions of yen)	2,983	<b>4,318</b>	4,700	1,335	44.8

## President's Message

We implement initiatives to work towards a growth track, always bearing in mind that Sowing the Seeds of Joy underpins our business practice.

businesses while others are in a single business. Some offices rent out mops and mats, and other branches provide housekeeping services. All our products and services should be courteously and professionally delivered to customers whether or not certain franchisees provide certain products or services. As part of our reform efforts, we reinforce our service network and cooperation among franchisees and branches to ensure all products and services are exceptionally delivered to our customers.

### Initiatives and results at each Group

#### Clean & Care Group

#### Technical services with a strong growth potential

At Clean & Care Group, rental mats and other sanitary products for commercial customers performed well in FY2016. Though sales were sluggish over the past few years, initiatives in the commercial market started to generate positive outcome.

In the residential market, sales of mop rentals have been slow under the circumstances with changing households, such as an increase in working couples, singles, and nuclear families. Services targeting senior households and singles are expanding. Especially on the rise are sales of technical services, including ServiceMaster professional cleaning, and Merry Maids housekeeping services. With the greater demand for these services, some offices are unable to handle all of their orders. We will take measures to recruit and maintain adequate number of staff members.



ServiceMaster, professional cleaning



Merry Maids, housekeeping services

We also believe our technical services have a strong growth potential. Amidst an aging population and declining birthrates, young families are decreasing, but opportunities of business targeting seniors are increasing. By flexibly responding to meet the needs of a changing society without holding on to our past successful cases and practices, we strive to achieve further growth.

#### Food Group

#### Change in our shop development strategies for future growth

Until recent years, growth of Mister Donut, the core business of this Group, was supported by take-out demands from families. Families are now smaller with declining birthrate and growing number of nuclear families. Market competition has intensified. Our immediate challenge is to respond to these market changes. To meet different customers' needs at different types of locations, we developed and opened new types of shops in FY2016. To encourage more frequent visits to our shops, we also developed new products responding to growing health consciousness among consumers.

At our new concept shops, we focused on breakfast and lunch menus to increase in-store consumption. Renovations were made at some shops to increase the number of seating. Mister Donut also developed take-out-only shops for limited spaces in station buildings and commercial facilities. These shops are now open in Kanto and Osaka.



Mister Donut to go, a takeout-only store



A Mister Donut café style shop – increasing sales of in-store consumption

These initiatives reflect the changes in our approach to shop development. Traditionally, we looked for a good location suitable for the conventional shop concept. Now, we open a shop suitable for the available locations we find. To attract more customers, we are developing various types of shops and concepts, responding to needs and purposes unique to each location.

### Medium-term Management Policy —Commitment & Action

#### Implementing four basic policies of ONE DUSKIN

The Medium-term Management Policy 2015 is the first of the three phased long-term plan ONE DUSKIN. The first goal is reflected in the theme, Commitment & Action. We commit ourselves to taking actions to achieve ONE DUSKIN. We are steadily implementing the four basic policies:

**Business model development:** Clean & Care Group built an online network by sharing customer information with franchisees and developed our membership website DDuet to directly deliver information to customers. Through this website, we plan to strengthen ties with customers by regularly offering information about new products and campaigns.

**New growth:** we focus our efforts on new business development and expansion of existing businesses in the overseas markets. Mister Donut has expanded its business

in Shanghai, Taiwan, Thailand, the Philippines, Malaysia, and Indonesia. In 2016, we acquired Big Apple, a donut chain operator in Malaysia.

**Structure reform:** Both Clean & Care and Food Groups have been reviewing the costs of production & logistics, distribution, procurement and information system for higher profit margins.

**Enhancement of corporate governance:** Duskin has three Outside Directors and three Outside Audit & Supervisory Board Members. We actively seek their advice for more effective monitoring of our management. In January 2017, Outside Directors and Audit & Supervisory Board Members Council analyzed and evaluated the effectiveness of the entire Board of Directors. The Board of Directors received recommendations from the Outside Directors and Audit & Supervisory Board Members Council and then examined the initiatives to undertake during FY2017 to improve the effectiveness of the Board. Through monitoring by the independent Outside Directors and Audit & Supervisory Board Members, we continue to enhance management transparency, effectiveness of our Board of Directors, and future growth strategy.

In FY2017, we started to allot share-based-remuneration-type stock options to Directors with the aim of further raising motivation to achieve sustainable growth and a medium-to-long-term improvement in corporate value by sharing risks and benefits of fluctuations in stock prices with shareholders.

#### The basic principles of Medium-term Management Policy 2015

- 1 Business model development**  
Develop a system, through which Duskin and its franchisees can share and utilize customer information.
- 2 New growth**  
Expand Clean & Care and Mister Donut businesses in the overseas market as well as developing new businesses.
- 3 Structure reform**  
Analyze and develop efficiencies in the costs of production & logistics, distribution, procurement and information systems to enhance profitability.
- 4 Enhancement of corporate governance**  
Implement improved corporate governance that enhances fairness and transparency of management, to ultimately ensure the realization of our growth strategy.



Membership website, DDuet



A Big Apple donut store in Malaysia

## President's Message

We implement initiatives to work towards a growth track, always bearing in mind that Sowing the Seeds of Joy underpins our business practice.

### FY2017 outlook

#### Actively implementing proven strategies for a sales recovery

FY2017 is the final year of the first phase of ONE DUSKIN —Commitment & Action.

Clean & Care Group focuses on expanding services for commercial customers through offering sanitary management services. Until recently, rental and sales of cleaning and sanitary products, professional cleaning and pest control were individually provided. By integrating these services in a comprehensive sanitary management support service, we help our customers maintain sanitary environment. Our Hygiene Master specialists check, improve, and maintain sanitary conditions at customers' locations, including restaurants, shops, facilities for the elderly, and factory cafeterias.

Through Life Care business launched in FY2015, we plan to enhance our services for seniors. Included in our initiatives is the introduction of a service combining housekeeping, storage organizing and garden plants care. We are building a structure to provide services tailored to each customer's needs as well as providing useful information.

Food Group regards reforming Mister Donut business model as its key initiative. Although our efforts have yet to result in overall performance, a sales increase is expected as a result of the Structure Reform efforts. Starting with FY2017, we

will steadily implement the strategies for shop openings and product development to achieve performance recovery. Food Group continues to work on developing new businesses that become the next pillars to Mister Donut.

### Four Focused Areas of CSR Activities

#### To earn appreciation from our customers and local communities

To achieve the goals of the ONE DUSKIN long-term strategy, in FY2015, Duskin defined four focused categories of CSR activities as "Safety, Reliability & Quality," "Human Resources," "Environment" and "Local & Social Contributions." The whole Duskin Group joins together to undertake the initiatives under these categories:

**Safety, Reliability & Quality:** we work toward having a control system to maintain zero critical defects at the time of the introduction of all products.

**Human Resources:** Duskin strives to increase the percentage of female managers and hours of training per employee, thereby creating a more fulfilling workplace.

**Environment:** we focus on environmental conservation by reducing greenhouse gas emissions and carrying out 3R (Reduce, Reuse, Recycle) activities at each business segment.

**Local & Social Contributions:** Duskin continues various

activities to contribute to local communities. Included in the activities are local cleaning campaigns, school education support, and the Duskin AINOWA Foundation that focuses on independent living for the disabled and their total participation in society.

Corporate Social Responsibility has become increasingly important in recent years. Companies per se contribute to society by achieving sustainable growth. We will continue to provide safe, reliable and quality products and services, and thereby contribute to sustainable development and prosperity of our local communities.

In our management philosophy, Prayerful Management, there is an expression "Whether our lot today be profit or loss, be spiritually ready for loss." This means that our primary role is to make our customers happy and we serve society rather than simply pursue profits. Sharing this philosophy with the whole Duskin Group, including our franchisees, we will continue to be the one and only group of companies actively engaged in Prayerful Management.

August 2017



山村輝治  
Teruji Yamamura  
President & CEO



Hygiene Masters with expertise in sanitary management offering solutions



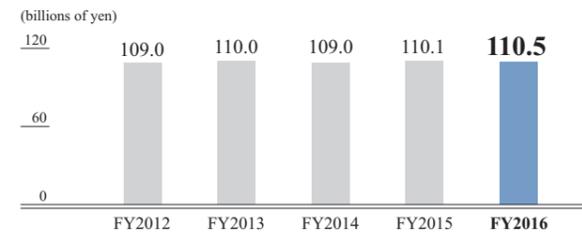
Mister Donut new type shops offering meals and snacks as well as donuts

### Our CSR activities



## Clean & Care Group

### Sales



### FY2016 results

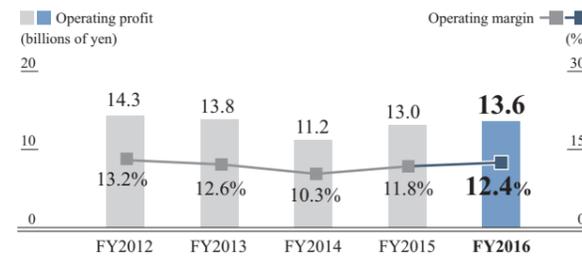
Sales of the Clean & Care Group totaled 110,537 million yen, a 346 million yen (0.3%) increase from one year earlier. This is mainly because Rent-All, which rents daily commodities and equipment for various events, and other businesses performed well. Sales of dust control products, the core category of this segment, decreased due to lower sales to franchisees. Promotional expenses and expenses for retirement benefits increased, but cost of sales decreased due to the lower cost of Style Cleaner. As a result, operating profit was 13,671 million yen, a 669 million yen (5.2%) increase from one year earlier.

Total sales of dust control products for residential use were lower than one year earlier. Sales of the Kitchen Sponge were lower due to the surge in demand at franchisees one year earlier due to a price revision. Sales of filter products also decreased. Among dust control products for commercial customers, mat products posted lower sales, but Office Drink/Snack Service, Water Server, and Fragrance Dome (fragrant urinal bowl scale preventing cleaner) posted higher sales. Clear Kukan-M, an air purifier introduced for rental in January 2017, also performed well. As a result, total sales were the same as in the previous year. In the technical services category, equipment and chemical sales to franchisees decreased, but royalty fees increased due to higher customer-level sales of air conditioner cleaning and housekeeping services. Home Repair Service, which Duskin started in this fiscal year to provide wall and floor repair services in some areas, contributed to sales growth. As a result, total sales of technical services were higher than in the previous year. In other businesses of the Clean & Care Group, Rent-All achieved steady sales growth because rental services for event-related items and assisted-living and health care products

### SWOT analysis

<ul style="list-style-type: none"> <li>Community-based franchise system</li> <li>Strong customer base: over 5 million residential and 1.3 million commercial customers</li> <li>Steady rental business with high customer retention</li> <li>Strong bonds with franchisees</li> </ul> <p style="text-align: right;"><b>Strengths</b></p>	<ul style="list-style-type: none"> <li>High dependency on mops, our core item</li> <li>Lower cost-competitiveness due to falling prices of cleaning items sold by retailers</li> </ul> <p style="text-align: right;"><b>Weaknesses</b></p>
<ul style="list-style-type: none"> <li>Growing need for housekeeping services due to an increase in working couples</li> <li>Stronger demand for nursing services due to Japan's aging population</li> <li>Larger hygiene management market</li> </ul> <p style="text-align: right;"><b>Opportunities</b></p>	<ul style="list-style-type: none"> <li>More competition in housekeeping / senior care sectors because of emergence of smaller companies and new entries from other industries</li> <li>Smaller customer contacts due to stricter regulations on direct-sales business</li> </ul> <p style="text-align: right;"><b>Threats</b></p>

### Operating profit and operating margin



performed well. Uniform Service and cosmetic-related businesses also recorded higher sales than one year earlier. Home Instead, which provides senior care services, posted lower sales due to the cancellation of a large account at its company-owned office.

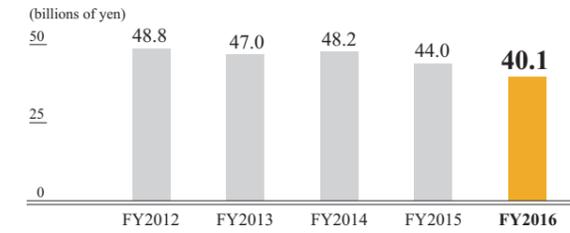
### FY2017 outlook

Duskin continues to expand its membership website DDuet among residential users to reinforce customer contacts. We also encourage our sales representatives to use tablets that make it easier to offer comprehensive solutions for household tasks. Among technical services, we will enhance housekeeping and air conditioner cleaning services for residential customers and sanitary management for commercial customers. Our efforts are also concentrated on senior service sectors where demand is expected to grow. In addition to these initiatives, we plan to conduct aggressive sales promotion activities for the Robot Cleaner SiRo rental service, which started nationwide in April 2017, as well as for our competitive custom-made mats. Duskin expects sales of 112,700 million yen, an increase of 2.0% from a year earlier.

Operating profit is forecast to increase 0.9% from one year earlier to 13,800 million yen, while costs are expected to climb due to investments in new items for rent.

## Food Group

### Sales



### FY2016 results

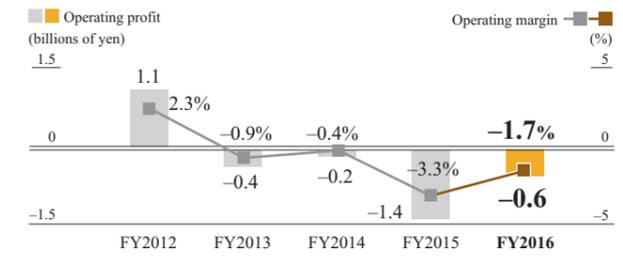
Total Food Group sales were 40,151 million yen, a 3,855 million yen (8.8%) decrease from one year earlier. This is because Mister Donut, the core business in this segment, posted lower customer-level sales, which led to a decrease in royalty fees and raw material sales to franchisees. Losses were recorded due to lower sales. The operating loss, however, decreased 784 million yen from one year earlier to 684 million yen. This is due to cost-cutting efforts including reduced expenses for the purchasing and disposal of raw materials. Mister Donut released products for Halloween, Christmas, and St. Valentine's Day and continued its efforts to reflect the feedback of customers, including the feedback received at MISDO Fan Meetings, in the development and sale of products. Another initiative was to respond to the growing health consciousness among consumers. Mister Donut started sales of low-caffeine coffee, using green coffee beans with caffeine reduced by 97%, and Oil Cut Donuts\*. Mister Donut also continued its promotional campaigns with other companies to create opportunities to visit shops. However, other sales promotions for new products were not appealing enough for customers to visit Mister Donut shops, and same-store sales were lower than one year earlier due to closures of underperforming locations. As a result, total customer-level sales were lower than one year earlier.

Since the beginning of FY2016, Food Group has been implementing renovations to create a new concept store-V/21 to achieve the medium- to long-term goal of rebuilding the Mister Donut brand. In November 2016, Mister Donut announced its new business policy with a focus on future shop development and price revisions. The initiatives for shop development include Mister Donut to go, a takeout-only store,

### SWOT analysis

<ul style="list-style-type: none"> <li>Mister Donut brand awareness/recognition</li> <li>New product planning and development</li> <li>Loyal customers of all ages</li> <li>Special approach to joint development with manufacturers</li> </ul> <p style="text-align: right;"><b>Strengths</b></p>	<ul style="list-style-type: none"> <li>Lower profitability at shops due to rising prices of raw materials and higher labor costs</li> <li>Delay in developing new businesses that can become the next pillars of the food business</li> </ul> <p style="text-align: right;"><b>Weaknesses</b></p>
<ul style="list-style-type: none"> <li>Expansion of sweet snack markets</li> <li>Expansion and diversification of restaurant market</li> <li>Growing health consciousness</li> </ul> <p style="text-align: right;"><b>Opportunities</b></p>	<ul style="list-style-type: none"> <li>Enhanced product appeal/variety at convenience and sweet snack stores</li> <li>Avoidance of high-calorie food</li> <li>Emergence of coffee chains</li> </ul> <p style="text-align: right;"><b>Threats</b></p>

### Operating profit and operating margin



and Mister Donut Cafés, which serve light meals and beverage menus. Overall, there were many measures to achieve a recovery in sales and rebuild the Mister Donut brand. Other food businesses posted higher sales than one year earlier, although Café Du Monde posted lower sales due to the smaller number of shops. Pie Face, a specialty pie store, Chiffon & Spoon, a specialty chiffon cake shop, Katsu & Katsu, a pork cutlet specialty restaurant, and Bakery Factory, a large suburban bakery shop, recorded higher sales mainly due to an increase in the number of locations.

\* Contain 40% less fat than the average fat per 100g of five items: Pon De Ring, Honey Dip, Old Fashion, Chocolate and French Cruller.

### FY2017 outlook

In line with the new business policy announced in November 2016, Mister Donut is implementing renovations to create new concept stores and opening shops in areas and locations where Mister Donut does not yet have a presence. Other initiatives include promotions of popular items with revised prices and responses to the growing health consciousness among consumers. With the theme "MISDO meets" to offer new value to customers, Mister Donut creates new products that better serve customers' motivations to visit shops in collaboration with companies with state-of-the-art technology and high-quality materials. Through these initiatives, sales growth is expected at Mister Donut, and sales of the Food Group are estimated to total 402 million yen, up 0.1% from one year earlier due to the sale of Don Co., Ltd. in the previous year.

Food Group expects to become profitable for the first time in four years with operating profit of 3 million yen as a significant expense reduction is expected.

# Effective structure reform leading to further growth

## Long-term Strategy

# ONE DUSKIN

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

**ONLY ONE** A one and only franchise system where franchisor and franchisees share our Management Philosophy

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

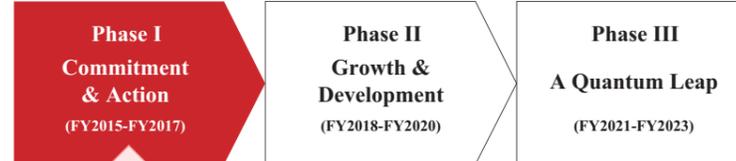
**NUMBER ONE** The most trusted franchise business in the community

We seek to become the most reliable service provider, proactively anticipating customers' needs and providing innovative solutions.

**ALL FOR ONE** All business units and services join to respond to the needs of our customers.

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

We are implementing our 9-year long-term strategy ONE DUSKIN plan in three phases.



## Medium-term Management Policy

- Business model development**  
Develop a system through which Duskin and its franchisees can share and utilize customer information.
- New growth**  
Expand Clean & Care and Mister Donut businesses in the overseas market as well as developing new businesses.
- Structure reform**  
Analyze and develop efficiencies in the costs of production, logistics, distribution, procurement and information systems to enhance profitability.
- Enhancement of corporate governance**  
Implement improved corporate governance that enhances fairness and transparency of management, to ultimately ensure the realization of our growth strategy.

## Financial Goals

	FY2016 actual	FY2017 goal
Consolidated sales	161.8 billion yen	165.0 billion yen
Consolidated operating profit	6.0 billion yen	6.6 billion yen

We aim to unite all Duskin businesses so as to serve our customers in the most effective and courteous manner, and are implementing our ONE DUSKIN plan in three phases. In FY2016, the second year of the Phase I Commitment & Action, we steadily moved forward on structure reform that will lead to further growth.

## Major achievements in FY2015 and FY2016

## FY2017 plans

Home service Business service : Clean & Care Group Food Service : Food Group

### 1 Business model development

As of March 2017

Home service

#### Customer contact points

Users of the membership website, DDuct **340,000**



Reinforced online customer contacts by utilizing the Internet

Business service

#### Hygiene management service

Hygiene Masters **504**



Developed Hygiene Masters who provide comprehensive sanitary management service

Home service

#### Comprehensive service proposals

Tablets introduced to sales reps **2,800**



Improved promotion of technical services by utilizing tablets

Home service

#### Services for seniors

Expanded services for seniors by promoting sales of existing products and services for seniors in good health, developing new businesses including companion and consultation services for seniors who need assistance, and enhancing businesses for seniors who need care (Home Instead and Health Rent).



Home service

#### Users of the membership website, DDuct

340,000 → **720,000**

Home service

#### Tablets introduced to sales reps

2,800 → **5,600**

Business service

#### Hygiene Masters

504 → **953**

Food Service

#### Shops renovated/newly opened with new concepts

49 → **145**

Food Service

#### Renovation and opening of shops with new concepts

Shops renovated/newly opened **49**  
Shop development policy focusing on the different conditions/environment for each shop location



### 2 New growth

Home service

#### Project to Accept Foreigners Conducting Housekeeping Services

Certified as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones in Tokyo, Kanagawa, and Osaka; hired eight people from the Philippines in April, 2017. Started the service in May.



Food Service

#### Synergy with an overseas brand

Acquired Big Apple, a donut chain operator in Malaysia, and made it a subsidiary. Combined their knowledge with ours to expand our business.

### 3 Structure reform

Cost reduction by **2.2%**  
(from FY2015)

#### Analyze and develop efficiencies in the costs of production, logistics, distribution, procurement and information systems

Structure reforms including cost reduction were implemented in all aspects: materials and processing in production and logistics, inventory management in distribution, suppliers and specifications in procurement and IT environment in information systems.

#### Establishment of CSR Committee

The Quality Assurance & Environment Committee was reorganized, and the CSR Committee was formed to examine all CSR categories including "Quality Assurance," "Environmental Conservation," "Human Resources," and "Local & Social Contributions." The committee members include Executive Directors including the President, and Outside Directors.

#### Evaluation of effectiveness of the Board of Directors

A survey was conducted among all Directors on the effectiveness of the Board of Directors. Based on the results, the Outside Directors and Audit & Supervisory Board Members Council made recommendations to the Board of Directors. The Board of Directors examined their recommendations and the initiatives to undertake during FY2017 in order to improve effectiveness of the Board.

### 4 Enhancement of corporate governance

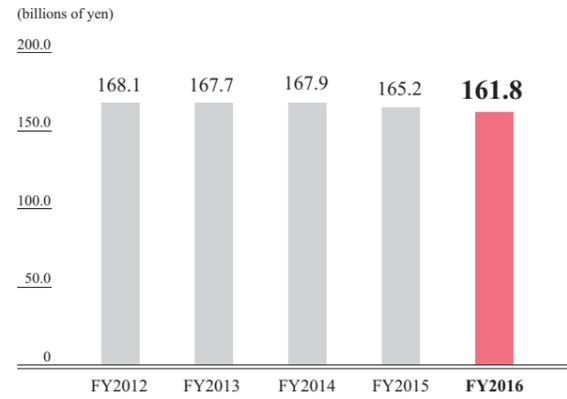
- Increase the employment of foreign personnel conducting housekeeping services in accordance with the National Strategic Special Zones regulatory reform (planning to accept about 100 people).
- Expand the business operations at the Big Apple stores in Malaysia and Cambodia.

Continue to reduce costs in each aspect (production and logistics, distribution, procurement, information systems)

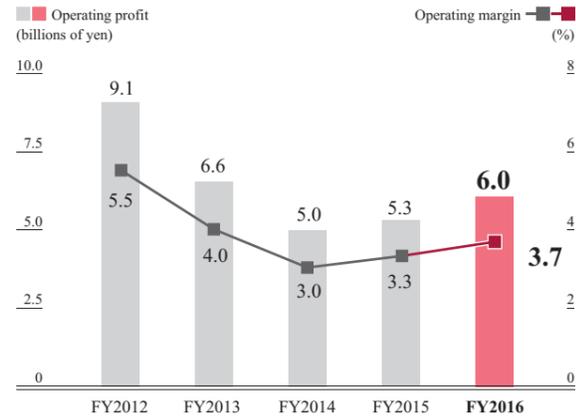
- Establish share-based-remuneration-type stock options for Directors (except Outside Directors)
- Continue FY2016 initiatives including improvement of objectivity and transparency in the process of appointing Directors.

# Financial Highlights

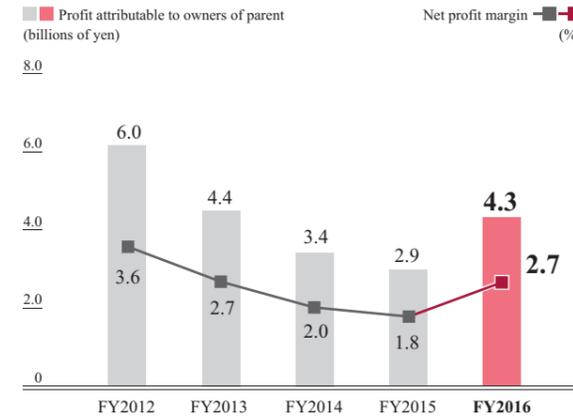
## Sales



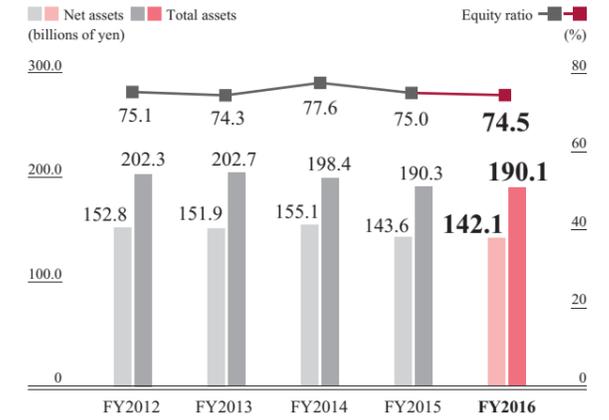
## Operating profit / Operating margin



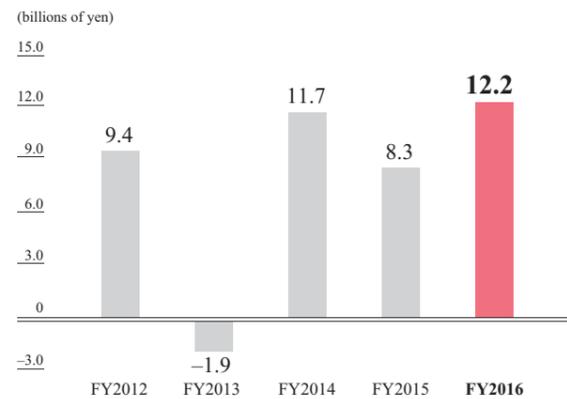
## Profit attributable to owners of parent / Net profit margin



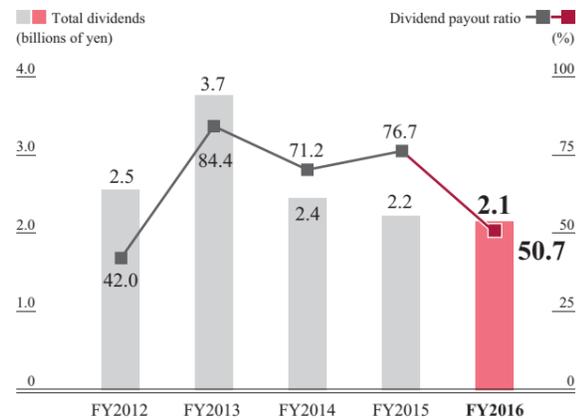
## Net assets / Total assets / Equity ratio



## Free cash flows

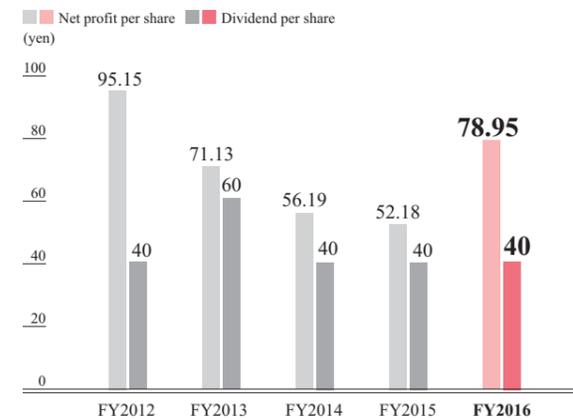


## Total dividends / Dividend payout ratio



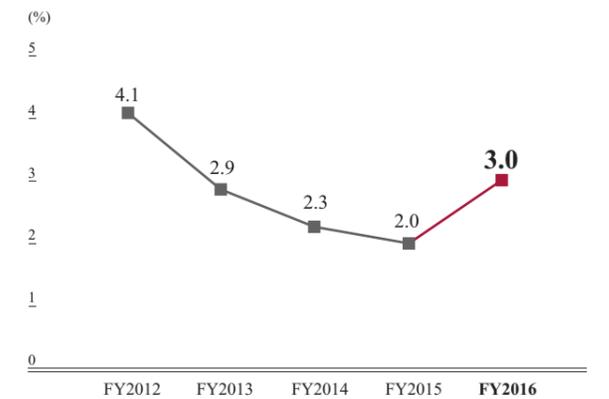
Note: Figures for FY2013 include the 50th anniversary commemorative dividend.

## Net profit per share / Dividends per share



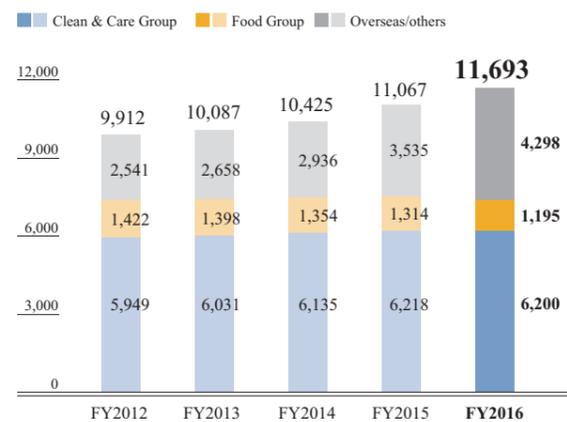
Note: Figures for FY2013 include the 50th anniversary commemorative dividend.

## Return on equity

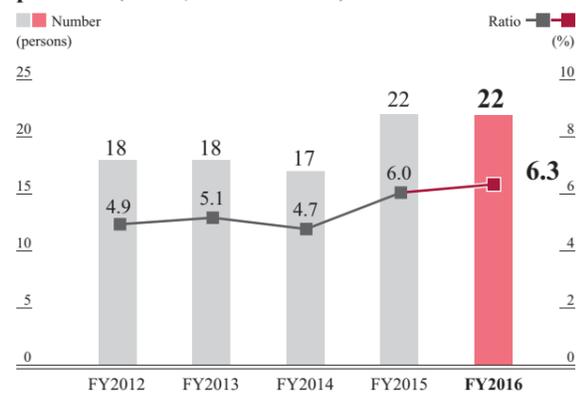


# Non-financial Highlights

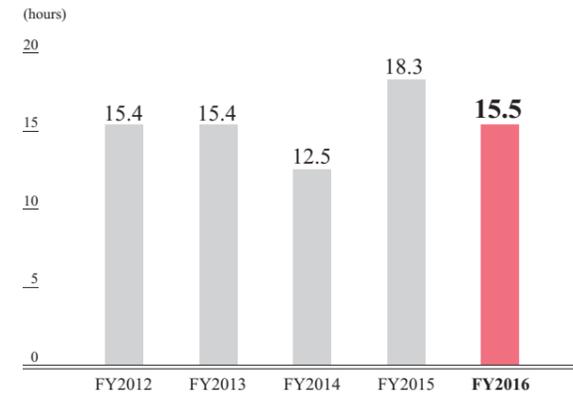
## Number of franchised locations



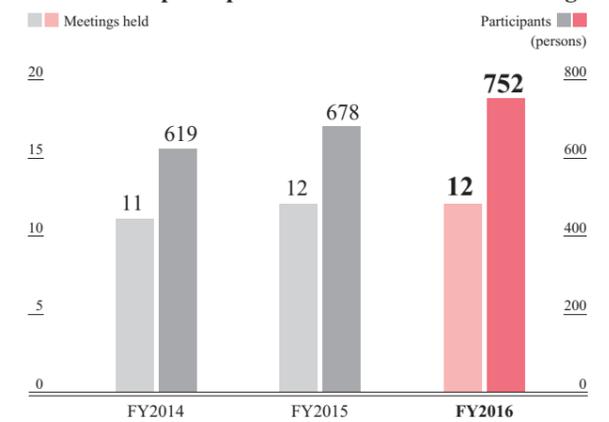
## Number and ratio of female employees in managerial positions (Duskin, non-consolidated)



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



## Number and participants of Mister Donut Fan Meetings



# New value creation to meet the needs of society



## April 14 and 16 Corporate

Kumamoto Central Plant and franchise shops and locations are damaged by the Kumamoto earthquakes. We support the affected shops, locations and evacuation shelters, and conduct activities to raise funds for disaster relief at Food Group stores.

→ Go to P. 68 for details

## July 5 Clean & Care

Duskin accepts a request from the Hokkaido Prefectural Police to become an Adviser on the Prevention of Special Frauds for educational support activities. (As of March 31, 2017, we are cooperating with 21 prefecture police departments.)

→ Go to P. 54 for details



## August 17 Corporate

Duskin is recognized as an enterprise that supports its employees' childcare by the Ministry of Health, Labour and Welfare. (Kurumin certification)

→ Go to P. 62 for details

## September 1 Clean & Care

Rental of the Robot Cleaner SiRo initiated.



## Late September Food

All the Mister Donut shops affected by Kumamoto earthquakes resume operation.



## November 4 Clean & Care

The "Wako Iki-iki Life Service Plaza" program operated by Duskin's Life Care Development is selected as a "business promoting the creation of the industry for extending healthy life expectancy" by METI.

→ Go to P. 72 for details

## November 8 Food

Following our brand campaign "Something good's gonna happen. Mister Donut," we start shop renovations and open new types of shops, focusing on the different conditions and environment of each shop.



## January 27 Food

Mister Donut donates a portion of its sales on Mister Donut Founding Day (January 27) to the Duskin AINOWA Foundation.

→ Go to P. 66 for details

## February 10 Food

Duskin makes Big Apple Worldwide Holdings Sdn. Bhd. a subsidiary.

## February 10 Clean & Care

Duskin Head Office and Duskin Merry Maids Minoh Office are certified as a quality housekeeping support service provider.



## March 15 Clean & Care

Duskin is recognized for its school education support activities by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) as an enterprise promoting and developing young people's experience.

## April 1 Clean & Care

Total Green starts its own service to maintain plants and flowers.

**TotalGreen**

2016

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

## Early June Clean & Care

The affected Kumamoto Central Plant resumes operation.



## July 7 Corporate

For the third consecutive year, Duskin is ranked first under the service and other industries category in Environmental Brand Survey conducted by Nikkei Business Publications, Inc.

## July 27 and August 29 Clean & Care

Duskin is approved as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services in Kanagawa and Osaka. (The service begins in May 2017.)

→ Go to P. 64 for details

## October 1 Corporate

Duskin Museum commemorates the first anniversary of its opening.



## October 1 Corporate

Duskin introduces a new full-time position with limited transfers/changes within certain locations for non-regular and part-time employees.

→ Go to P. 59 for details

## October 26 Clean & Care

Duskin receives award as an Anticrime CSR Fulfilling Enterprise for its educational support to prevent special frauds by National Crime Protection CSR Promotion Committee.

## November 16 Corporate

All Duskin Family conducts cleaning activities in their communities (129 sites) throughout Japan around November 16, Duskin Founding Day.

→ Go to P. 69 for details

## December 1 Clean & Care

Decluttering and Organizing Service for the Next Stage of Life starts as a regular service all over Japan, intended for 50-somethings.

## January 4 Corporate

Duskin is designated as a component security within the Morningstar Socially Responsible Investment Index.



## February 14 Clean & Care

Duskin concludes an official marketing partnership agreement under the cleaning service category with LEGOLAND® Japan Co., Ltd.

## February 21 Corporate

Duskin is certified as a Health and Productivity Management Organization (White 500) by the Ministry of Economy, Trade and Industry (METI).



→ Go to P. 65 for details

## February 22 Clean & Care

Duskin is approved as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services in Tokyo.

## April 1 Clean & Care

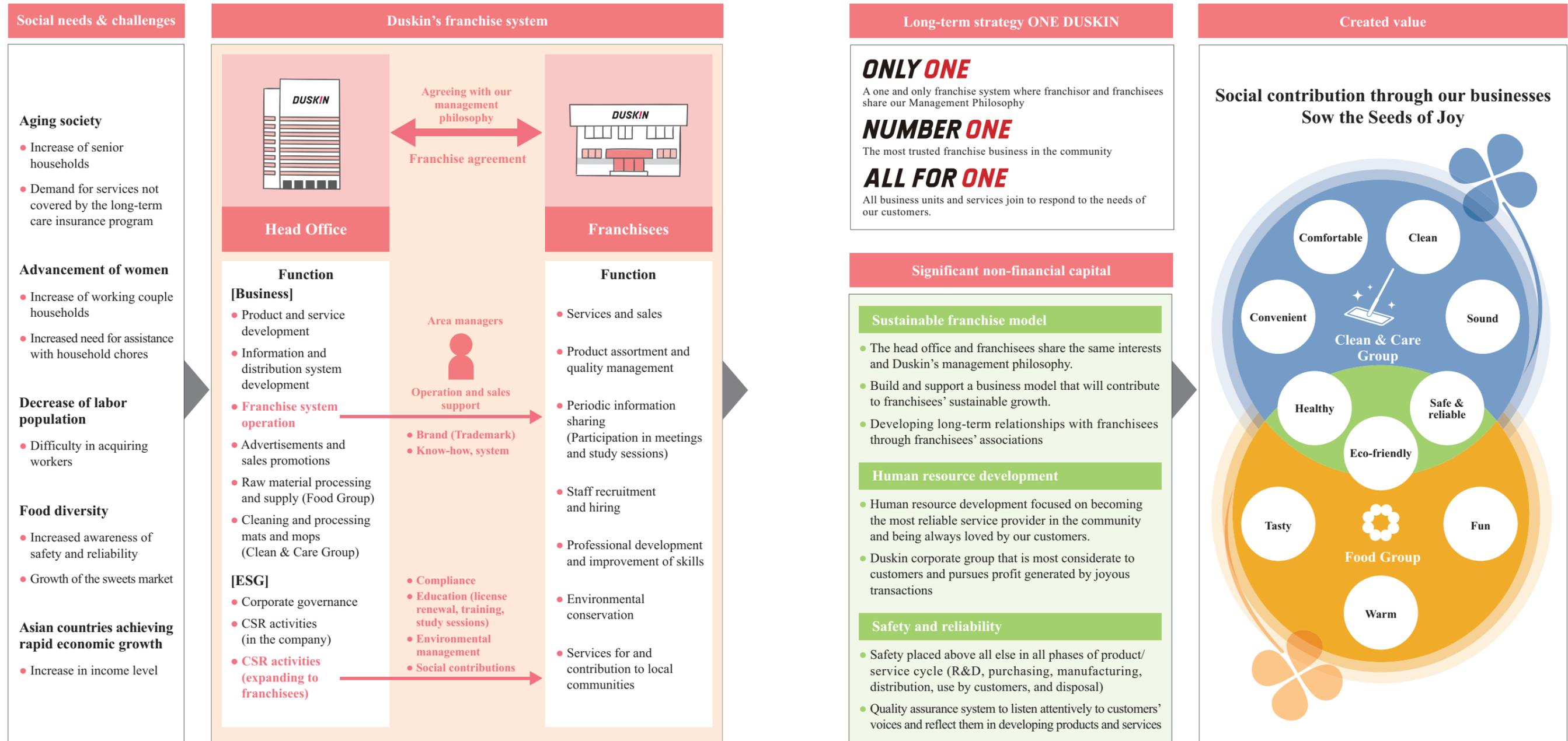
Home Repair is launched as a full-scale business to fix wear and tear in houses, stores, and offices.



## May 22 Corporate

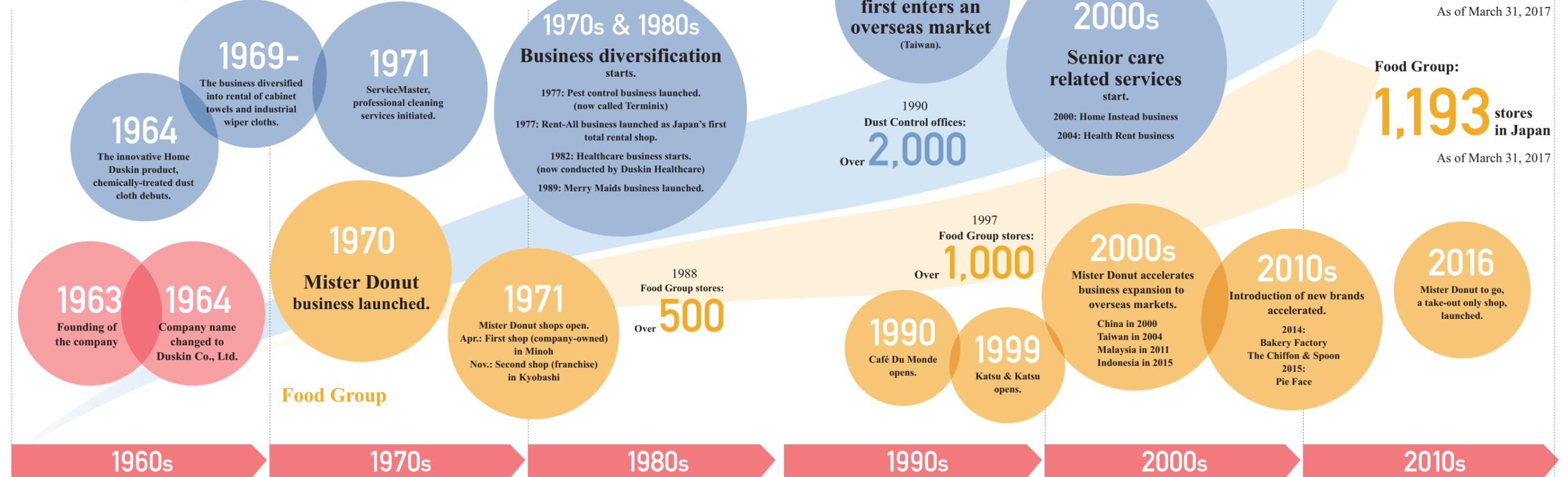
The Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLead) designates Duskin as an environmental human resource development enterprise.

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



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

## Clean & Care Group



## Major social trends

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

<b>Sustainable franchise model</b> <ul style="list-style-type: none"> <li>1964 Recruiting the first group of franchisees starts.</li> <li>1969 Duskin granted full membership in International Franchise Association (IFA), the first time for a Japanese company.</li> </ul>	<ul style="list-style-type: none"> <li>1981 "Seiichi Suzuki Award" established to commemorate our founder's grace and contribution.*2</li> <li>1986 Duskin founder Seiichi Suzuki</li> </ul>	<ul style="list-style-type: none"> <li>1993 New franchise system "Duskin Serve 100" commences.</li> <li>2007 Duskin Achievement Award established to commend franchise owners for their local contributions.</li> <li>2015 Long-term strategy ONE DUSKIN announced.</li> </ul>
<b>Human resource development</b> <ul style="list-style-type: none"> <li>1965 Five-day work week system begins.</li> <li>1968 Clover Society, employee association for all Duskin employees, established.*1</li> <li>1971 Prayerful Management College starts as an in-house learning system.</li> <li>1971 Mister Donut Japan Training Center completed.</li> </ul>	<ul style="list-style-type: none"> <li>1979 Product Development Committee organizes the first product exhibition.</li> <li>1981 Customer Center offers the first phone consultation on year-end cleaning for a limited time.</li> </ul>	<ul style="list-style-type: none"> <li>1997 Learning Center of Care Service business established.</li> <li>2008 "Four-Leaf Shift" program introduced to enable employees to choose their work start time.</li> <li>2010 Duskin School, comprehensive training center for all Duskin brands, completed.</li> </ul>
<b>Safety and reliability</b>	<ul style="list-style-type: none"> <li>1991 Duskin Call Center opens.</li> <li>1999 Osaka Central Plant obtains ISO 14001 Certification.</li> </ul>	<ul style="list-style-type: none"> <li>2003 Quality Assurance Committee organized (now called CSR Committee).</li> <li>2004 The first edition of Duskin Code of Conduct, Duskin's compliance principles, completed.</li> </ul>

\*1 Dissolved in 1998 when the labor union was organized.

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

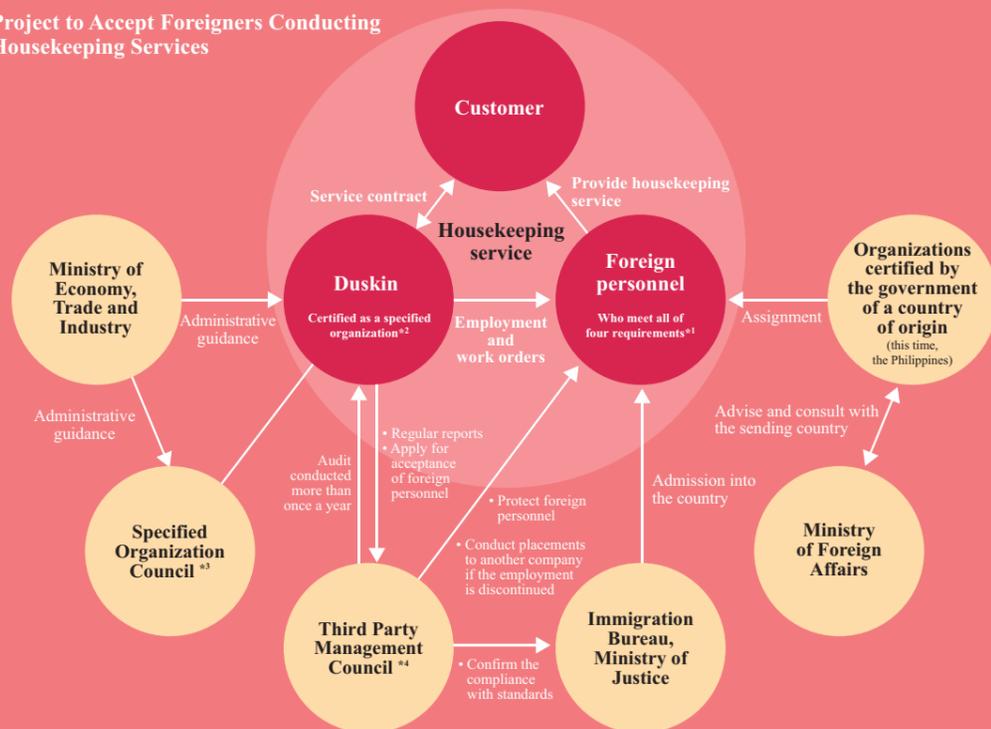


Topics

## Project to Accept Foreigners Conducting Housekeeping Services initiated.

Duskin was approved by the government as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services, one of the certified projects in the National Strategic Special Zones. In the spring of this year, we employed the first group of foreign staff members to start serving our customers. Duskin plans to incorporate this project into our network-wide business in the future.

### Project to Accept Foreigners Conducting Housekeeping Services



\*1 Qualifications for foreign personnel certified by Japanese and Filipino governments; 1) at least 23 years old; 2) at least N4 level of the Japanese Language Proficiency Test (JLPT); 3) with minimum one year work experience in housekeeping services; 4) with NC II certification of Technical Education and Skills Development Authority (TESDA)

\*2 Specified organizations are required to; be certified by Third Party Management Council, have its headquarters or company-owned branches in National Strategic Special Zones or those neighboring regions; and be capable of conducting education and training for housekeeping services. Duskin is certified as a specified organization in three prefectures: Kanagawa, Osaka and Tokyo.

\*3 Specified organizations cooperate to 1) secure the travel expenses for foreign personnel to go back to their country, and 2) deal with the situation when an employment contract can no longer be maintained or is breached.

\*4 Based on the policy, the project involves the relevant local government, Regional Immigration Control, Regional Labor Department, Regional Bureaus of Economy, and Trade and Industry.

### Needs for housekeeping services are growing with the increased number of two-income households.

With the increase in two-income households, there is a rapidly growing need for house cleaning and organizing services. Reports say the market size of these services is estimated 98 billion yen in 2012 and it is expected to increase more than six times higher. Duskin introduced Merry Maids, a housekeeping service, in 1989. Recently, this service has become more popular especially among two-income families living in urban areas. While the demand is increasing, there is a shortage of staff to conduct these services. Duskin is, therefore, facing a problem in recruiting for staff members.

### Duskin advocates to improve the working environment for women.

To continue economic growth amidst an aging population and declining birth rates, Japan needs to undertake initiatives to facilitate women's increased involvement in the workplace and their career advancement.

The Japan Franchise Association, with Duskin and 104 member companies, has taken the initiative to address these issues. The Association has put forward policy recommendations to the Industrial Competitive Council, where the policies of growth strategy of the Abe administration are reviewed and formed. The Association urged the government to introduce policies to facilitate women's advancement in Japan's business world with better access to childcare, senior care and housekeeping services. The main recommendation is that the government should establish a social system and administrative structure in the National Strategic Special Zones in urban areas, that would allow foreign nationalities to be recruited to work as babysitters, housekeepers and care takers.

Responding to the suggestion of the Industrial Competitiveness Council, the government established the policy in 2014 to set up National Strategic Special Zones and allow the entry of foreigners for the purpose of conducting housekeeping service. Additionally, The Japan Franchise Association has continued to advise on the organization and guiding principles to implement this project, to the Cabinet Office and to the Ministry of Economy, Trade and Industry.

**Duskin employed eight foreign personnel in Kanagawa and Osaka.**

The policy to accept foreign personnel enabled a specified organization in National Strategic Special Zones to employ foreigners conducting housekeeping service for a limited-term of three years. In 2016, the Project to Accept Foreigners Conducting Housekeeping Services was approved in the Special Zones including Kanagawa, Osaka and Tokyo, where Duskin was certified as a specified organization before February 2017. We fulfilled the requirements to be certified, such as three years or more of business continuity, full-time employment status for foreign personnel, salaries not less than Japanese counterparts, guarantee of travel expenses to or from Japan, and necessary skill training.

Foreigners conducting housekeeping services are required to have a minimum one year work experience in housekeeping

services, get more than 200 hours training in the country of origin, and have a certain level of Japanese language skill. Duskin entered a contract with an organization certified by The Filipino government. After interviewing, in April 2017, we employed eight personnel, who were aged 25 to 38 and fulfilled the requirements, as our employees of company-owned branches in Kanagawa and Osaka.

**Established a project team to support new workers**

One year before accepting foreign employees, we established a project team including Japanese employees who are proficient in English. Additionally, in cooperation with our partner company which had experience in accepting foreign care-workers, we reviewed the best working system and security for them. Our project team took various measures, such as preparing the training system at the branches and a shared house with

one kitchen to improve camaraderie and provide additional mutual support.

The foreign personnel started their training program at the Duskin training facility as Japanese staff members do. They learned how to perform housekeeping services for two weeks. Then, they were dispatched to our company-owned branches, and on-the-job training was conducted at each branch. Japanese staff at the branches and members of the project team also supported their life in Japan by providing them on an on-going basis with necessary information and knowledge as needed.

**To develop the project into a viable enterprise for our customers, foreign employees and Duskin**

Creating a system to accept foreign personnel will lead to ensuring the build-up of a stable labor force to meet our

customers' needs which are expected to increase.

Following these first eight employees, we will accept four more at our company-owned branch in Tokyo in 2017. After the half-year review, we are planning to accept some 100 foreign employees over the next three years. In the future, we will utilize this experience at our company-owned branches. Likewise, we are anticipating that our franchisees will also be certified as specific organizations and accept foreign personnel.

Working together with customers and foreign employees, we are committed to contributing actively to meeting the needs of a changing Japanese society, and evolve this business model to be beneficial for our customers, employees and Duskin.



Training of kitchen and bathroom cleaning. Our Filipino staff members have more than one year experience of housekeeping in the Philippines, but they start from the beginning at Duskin to learn our way of cleaning.

*Voice of employee*

**I will do my best during this three-year opportunity to improve my skill.**

As I had worked as a housekeeper in the Philippines, I am very thankful for this opportunity to improve my skills and career by working in Japan. Duskin follows the rules and regulations as an employer, and always makes sure that we are working in a comfortable environment. Duskin employees are all cooperative and polite to us. They especially support us by creating a safe living environment. It is hard for me that I left my family in my country and work alone in Japan. However, I can overcome this hardship because I know Duskin will keep their support until the end of our three-year contract. I will keep working hard for a future when I can spend quality time with my children who now are left in the Philippines.

**Buenaventura, Malou Querubin**  
Duskin Home Service  
Shimanouchi Office



*Voice of employee*

**I am very grateful for the kind support of Duskin staff members.**

I applied for this opportunity because I wanted to enhance my knowledge and skills that I had already acquired. In the Philippines, Japan is known as a safe and trustworthy country. I was very nervous at first, hearing that Duskin was a big and famous company. However, through the interview and training process, I felt very welcomed and relieved. Duskin employees are all kind and supportive. They helped us get used to the Japanese lifestyle by advising what we should do and not do. I truly appreciate that they always support us by giving us what we exactly need.

**Garcia, Diary Hebre**  
Duskin Toriyama Branch



*Voice of employee*

**We hope we can support their fulfilling work life at Duskin.**

The Filipino employees we accepted are all highly motivated. When we visited the Philippines to explain the employment contract, they tried our Merry Maids uniforms and were very pleased. Seeing that, we resolved to prepare the best work environment for them to live up to their expectations. Before welcoming them, our team studied Tagalog so that we would at least greet them in their native language and be able to build a warm relationship. Of course we carry out our duties as a specified organization, but at the same time, we continue to support them as much as we can. We would be very pleased if we could hear them say "We are happy to work at Duskin!"

**Junko Oishi (Left)**  
**Yuri Nabeshima (Right)**  
Project to Accept Foreigners  
Conducting Housekeeping Services,  
Merry Maids



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.

CSR Vision

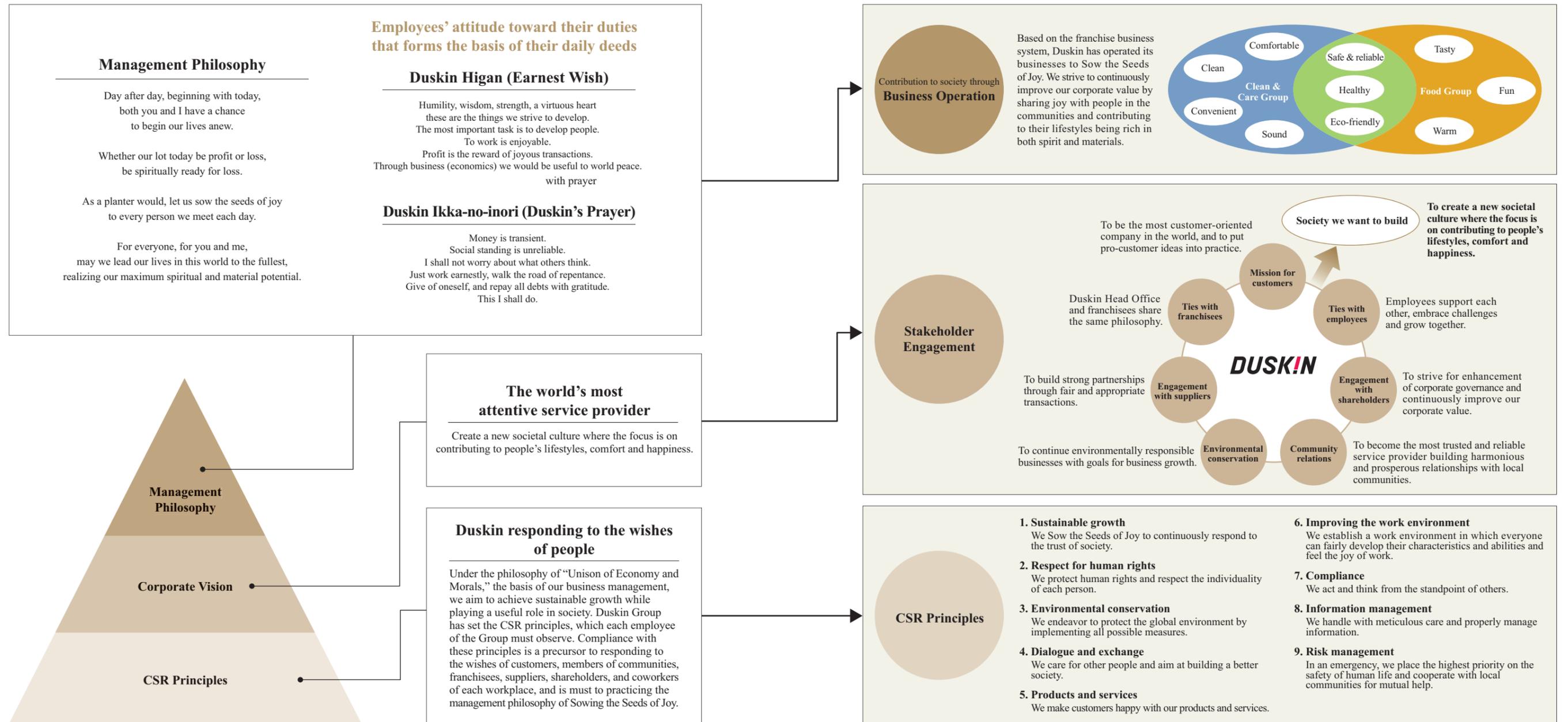
# Proactively respond to the expectations of society

Maintaining good relationship with people, society and the environment,

we humbly and attentively listen to the voice of society, and respond to its expectations.

To contribute to the sustainable development of local communities where people live rich and happy lives

through providing safe, reliable and excellent products and services.



# Our CSR activities guided by materiality identified with stakeholders

## Duskin Group's materiality

The Duskin Group bases its business management on the "Unison of Economy and Morals," to be able to proactively respond to the needs of society and achieve sustainable growth while contributing 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, from diverse perspectives. And in this process, we seek to enhance the corporate value of the entire Duskin Group by performing PDCA (Plan-Do-Check-Act) cycles for identified materiality goals.



## Materiality list

Materiality	GRI Guidelines 4th Edition (G4)	
	Category (subcategory)	Aspect (○ General Standard Disclosures, ● Specific Standard Disclosures)
<b>1 Corporate governance</b> - building a reliable and trustworthy organization	-	○ Governance ○ Ethics and Integrity
<b>2 Enhancing the value of products and services</b> - to provide user-friendly products and services	Social (Product Responsibility)	● Anti-corruption ● Compliance
<b>3 Engagement</b> - stakeholder communication	-	○ Stakeholder engagement
<b>4 Acquiring and developing human resources</b> - to develop people who respect and support each other	Social (Labor Practices and Decent Work)	● Employment ● Training and Education
<b>5 Standards related to safety, reliability, and comfort</b> - to provide safe, reliable and convenient products and services	Social (Product Responsibility)	● Customer Health and Safety
<b>6 Sales activities</b> - for appropriate sales activities and providing accurate information and services	Social (Product Responsibility)	● Compliance
<b>7 Diversity</b> - to respect diverse personalities	Social (Product Responsibility)	● Product and Service Labeling ● Marketing Communications
<b>8 Disseminating information related to the system, products and services</b> - for appropriate description and explanation from customers' viewpoint	Social (Labor Practices and Decent Work)	● Diversity and Equal Opportunity
<b>9 Labor safety</b> - to create work safe and reliable environments	Social (Product Responsibility)	● Product and Service Labeling ● Marketing Communications
<b>10 Product failure</b> - sincere response to customers	Social (Labor Practices and Decent Work)	● Occupational Health and Safety
<b>11 Environment</b> - to contribute to environmental conservation	Social (Product Responsibility)	● Product and Service Labeling ● Marketing Communications
<b>12 Economic performance</b> - building management foundation that meets the expectation of society	Social (Labor Practices and Decent Work)	● Diversity and Equal Opportunity
<b>13 Social contribution activities</b> - to be of service to local communities and society	Social (Product Responsibility)	● Product and Service Labeling ● Marketing Communications ● Customer Privacy
<b>14 CSR procurement</b> - for fair and equal relationships with suppliers	Environment	● Materials ● Energy ● Water ● Emissions ● Effluents and Waste ● Products and Services ● Transport
<b>15 Customer retention</b> - building systems to respond to and respect customers' voices	Social (Economic)	● Economic Performance
<b>16 Investment aligned with business strategy</b> - to make investments that will be a benefit to society	Social (Society)	● Local Communities
	Environment	● Supplier Environmental Assessment
	Social (Society)	● Supplier Assessment for Impacts on Society
	Social (Product Responsibility)	● Customer Health and Safety ● Product and Service Labeling
	Social (Economic)	● Indirect Economic Impacts

## Opportunities for dialogue with stakeholders



## Contribution to Sustainable Development Goals (SDGs)

In 2015, the action plan, Sustainable Development Goals with 17 goals and 169 associated targets was adopted at the United Nations' Sustainable Development Summit. Duskin Group reviewed this plan and determined the relevance of the SDGs with its businesses across their value chain.

We made a commitment to contribute to sustainable development of society through our business activities, and to achieve the goals of the universal Agenda for Sustainable Development by 2030.

## SUSTAINABLE DEVELOPMENT GOALS

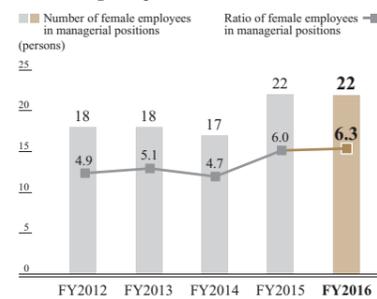
17 GOALS TO TRANSFORM OUR WORLD



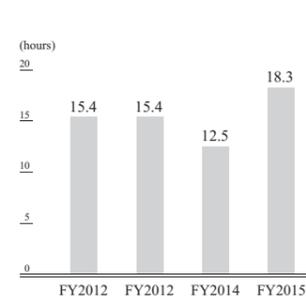
▼ Duskin Group CSR Activity Themes

Focused Areas	Materiality	SDGs	Goals (KPI)	FY2016 Results	Efforts/progress	Assessment	Pages
 <p><b>Safety, Reliability &amp; Quality</b> Our goal is to build an improved, enriched, more fulfilled society by providing safe high quality products and reliable value-added services. We continuously strive to achieve the highest quality management that reflects the voices of our customers.</p>	<p><b>2 Enhancing the value of products and services</b> - to provide user-friendly products and services</p> <p><b>5 Standards related to safety, reliability, and comfort</b> - to provide safe, reliable and convenient products and services</p> <p><b>6 Sales activities</b> - for appropriate sales activities and providing accurate information and services</p> <p><b>8 Disseminating information related to the system, products and services</b> - for appropriate description and explanation from customers' viewpoint</p> <p><b>10 Product failure</b> - sincere response to customers</p> <p><b>14 CSR procurement</b> - for fair and equal relationships with suppliers</p> <p><b>15 Customer retention</b> - building systems to respond to and respect customers' voices</p>	  	<p><b>Zero critical defects at the time of introduction:</b> Among all products offered, maintain zero critical defects at the time of introduction</p>	<p><b>Zero defects</b></p>	<p>The scope for receiving factory audit was expanded because defects of new products are more likely to occur before the production line stabilizes.</p>	○	P51
 <p><b>Human Resources</b> 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 into the development of people through a variety of education and training.</p>	<p><b>4 Acquiring and developing human resources</b> - to develop people who respect and support each other</p> <p><b>7 Diversity</b> - to respect diverse personalities</p> <p><b>9 Labor safety</b> - to create safe and reliable work environments</p>	   	<p><b>Ratio of females in managerial positions</b> (Duskin, non-consolidated): Increase to 8.0% or more by FY2018, from 6.0% in FY2015</p> <p><b>Annual training hours per employee</b> (Duskin, non-consolidated): 12.5 hours/employee in FY2014. Investment in further development of human resources will be continued by maintaining this level of training hours.</p>	<p><b>22 persons (6.3%)</b></p> <p><b>15.5 hours /employee</b></p>	<p>Career development support training and medium-to-long term development plan are being carried out.</p> <p>Investment was made for introduction of study sessions for Prayerful Management, additional training programs for Area Managers, and e-learning courses.</p>	△	P59
 <p><b>Local &amp; Social Contribution</b> As a corporation and a member of local communities, we seek 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."</p>	<p><b>3 Engagement</b> - stakeholder communication</p> <p><b>13 Social contribution activities</b> - to be of service to local communities and society</p> <p><b>16 Investment aligned with business strategy</b> - to make investments that will be a benefit to society</p>	   	<p><b>Number of participants in Clean Up My Town:</b> 300,000 people or more by the end of FY2017, from accumulated total of 219,000 participants since 2006</p> <p><b>Participants in Sow the Seeds of Cleanliness on-site classroom:</b> 162,000 students, 1,620 schools by FY2017</p>	<p><b>280,000 people</b> (31 locations nationwide)</p> <p><b>118,800 students</b> <b>1,312 schools participated</b></p>	<p>The program will continue hosting walks, such as Pink Ribbon Walk Events and other events to attract more participants. We will pick up trash and clean towns together with local residents.</p> <p>On-site class activities have been expanding due to an increasing number of schools requesting visits. Duskin was recognized by the Ministry of Education, Culture, Sports, Science and Technology for this activity.</p>	○	P66
 <p><b>Environment</b> 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 of their lifespan, from production to after-use.</p>	<p><b>11 Environment</b> - to contribute to environmental conservation</p>	    	<p><b>GHG (greenhouse gas) emissions:</b> 3 percent reduction by the end of FY2017, compared to the emission in FY2014</p>	<p><b>6.0% reduction compared to FY2014</b> (3.4% reduction compared to FY2015)</p>	<p>Food Group shops and restaurants manage energy consumption through controlling temperature of air conditioners and avoiding simultaneous use of equipment. Production and Logistics plants strive to reduce energy loss by introducing energy-saving equipment and improving efficiency of machinery operation.</p>	○	P73
 <p><b>Corporate Governance</b> While establishing a management process that allows us to accommodate changes in our business environment with swiftness and precision, we continue to maintain a structure, organization and systems that enable us to realize sound management with high transparency. We also place compliance with internal standards and external regulations at the center of all our corporate activities, as we work to continuously improve our corporate value.</p>	<p><b>1 Corporate governance</b> - building a reliable and trustworthy organization</p> <p><b>12 Economic Performance</b> - building management foundation that meets the expectation of society</p>	  	<p>Our aim of implementing corporate governance that enhances fairness and transparency of management is also a part of our growth strategy.</p>	<p>The Quality Assurance &amp; Environment Committee was reorganized as a CSR Committee. Its purpose is to review initiatives and scopes for our CSR activities, including the areas of Human Resources and Local &amp; Social Contributions. President &amp; CEO, Senior Executive Director, Executive Directors and Outside Directors attend the Committee. From January to March 2017, questionnaire survey regarding the effectiveness of the Board of the Directors was conducted among all directors. Based on the results of the questionnaire, the Outside Directors and Audit &amp; Supervisory Board Members Council made recommendations for initiatives to undertake during FY2017.</p>	○	P85	

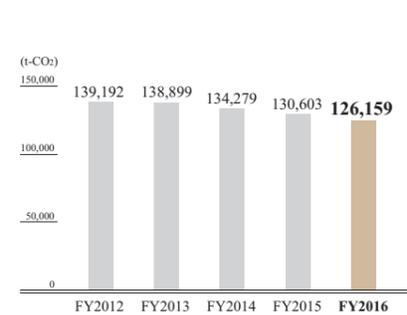
▼ Number and ratio of female employees in managerial positions (Duskin, non-consolidated)



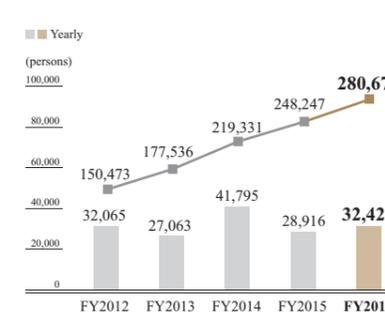
▼ Annual training hours per employee (Duskin, non-consolidated)



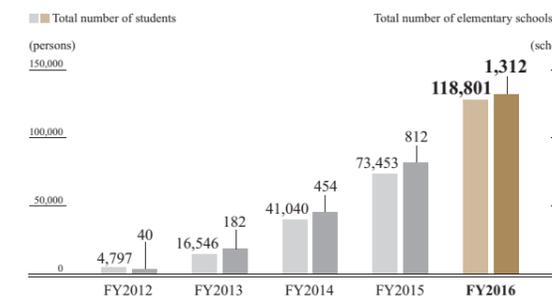
▼ GHG (greenhouse gas) emissions



▼ Number of participants in Clean Up My Town



▼ Elementary schools and students participating in Sow the Seeds of Cleanliness on-site classroom



# Quality Assurance

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 grounded in our quality policy.

## Quality Policy

Duskin offers various products and services from cleaning, hygiene products to food service. In our effort to ensure the quality of the products and services, we created our Quality Policy in 2009. The quality of our products and services are inspected and controlled in accordance with this policy.

## Quality assurance framework

In order to ensure that the products we supply to our customers are safe and reliable, our Product Inspection department acts as an outside independent group to conduct assessments, inspections and to monitor the quality of all products. Our Quality Assurance Control department checks the safety of products and raw materials, thus develop a quality assurance system management framework. 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 and user perspectives.

Following launch, we strive to maintain our established levels of quality by conducting regular and spot quality checks on products in distribution.

At the Quality Assurance & Environment Committee, policies on quality assurance and environmental preservation are carefully

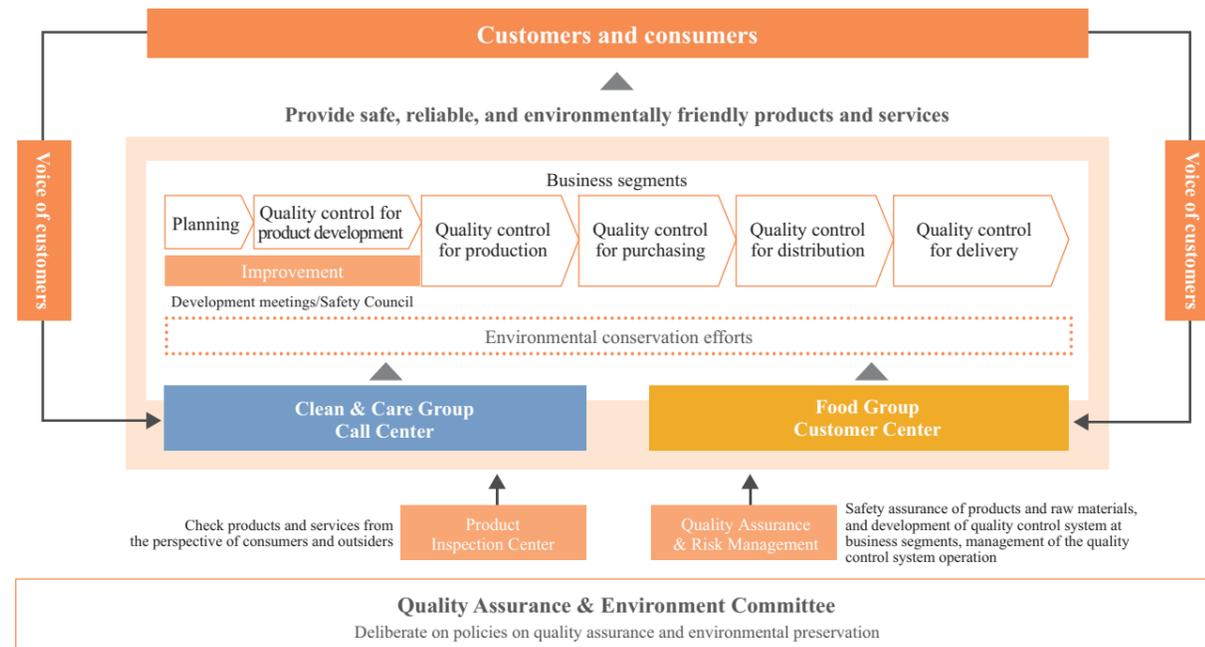
deliberated as Duskin's own standards and policies, as well as those of each business group, are further reviewed, refined, and improved.

Duskin Quality Policy

**“ Duskin delivers safe, enjoyable and environmentally friendly products and services. ”**

- 1 We place the highest priority on safety throughout all processes involving our products and services (research, development, purchasing, manufacturing, distribution, use by customers and proper disposal).
- 2 We reduce the 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 all laws, regulations and in-house rules, to adhere to our commitment to conduct quality assurance activities.

### Quality assurance framework



# 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 while balancing concerns about the environment

Upon commencing business with suppliers, we require them to fulfill a series of conditions.

These requirements include agreeing with Duskin's management philosophy, having their own management philosophy, upholding a quality control and assurance framework, 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 our checklist, and also have Duskin personnel visit onsite to directly verify agreed-upon 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 building stronger partnerships with them. Towards that end, every year, Duskin holds Supplier Study Sessions for sharing information on our business plans (development, sales promotion, purchasing and logistics plans) for the fiscal year at hand in addition to our quality policies and compliance initiatives. During FY2016, the Study Sessions held by the Clean & Care Group on March 16, 2017 hosted 216 participating suppliers. Meanwhile, the session held by the Mister Donut Business Group on April 7, 2017 hosted 92 participating suppliers. Duskin hosted "Clean & Care Group 2016 Trade Show" to strengthen the partnership with the suppliers and to serve as a unifying and strengthening experience for all of our product development teams. The show was held at Duskin Head Office on July 11, 2016 with 39 suppliers and partners participating.



Clean & Care Group 2016 Trade Show

## Selection of new suppliers

Selection of a new supplier is based on the prerequisite of consistent just, fair, and free competition, followed by the adherence to our prescribed 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 ascertain mutual consent in the final decision.

Clarifying these selection and evaluation standards helps to not only ensure quality and a stable supply of products, but also serves to reduce business risks.

### Steps for selection of new suppliers

- STEP 1 External review and internal evaluation of new candidate suppliers**  
In addition to conducting an external credit check, we also visit the company and conduct an internal evaluation using the New Supplier Evaluation Chart.
- STEP 2 A new supplier proposal**  
The persons responsible for development and purchasing work together to create a new supplier proposal, and conduct a comprehensive review based on various data.
- STEP 3 Final decision**  
The final decision is made at the Executive Directors' Meeting. Regular audits are conducted based on the Supplier Management Manual.
- STEP 4 Various procedures to begin transactions**  
The basic agreement for the business transaction is signed and concluded.

## Sustainable procurement

Palm oil used as raw material is procured from those suppliers who are the members of RSPO\*, and cannot be procured from unknown or unidentified sources.

\* Roundtable on Sustainable Palm Oil





# Safety and Reliability at Clean & Care Group

From research & development to maintenance, Duskin focuses on safety and reliability of the products and services we offer to customers. Customers can always feel secure in choosing Duskin and using our products.

## Research & Development for safe and reliable products

### Basic concept

We aim to establish the 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 a commitment to development of infrastructure technologies, new product development, product quality improvement, and measures for environmental conservation.

#### Research & Development Policy

- We conduct research on customer-oriented products and services that can be used repeatedly over a period of time.
- We pursue technologies to develop products which are highly intuitively operable.
- We explore the latest development in the areas of cleanliness, personal hygiene and physical health.
- In addition to concerns for safety and security, we focus on the reduction of the negative impacts on our environment throughout the lifecycle of our consumer-oriented products.

### Research and development for infrastructure technology

In addition to in-house research, other studies are conducted in collaboration with outside research firms, universities and organizations under the theme of "Cleaning & Healthy Life," in order to cultivate untapped ideas and needs. Such researches include studies on new technologies and materials to flesh out these ideas and develop products and services that satisfy these needs.



Research on fiber materials used in mops



Research on adsorbents that inhibit allergens

### Studies on technologies for product development

In pursuit of user-friendliness and the reduction of adverse impact on the environment, we not only initiate studies on the trim weight of rental cleaning tools such as mops and mats, on the selection of raw materials, and the recycling process for quality improvement: we also include studies on products in the areas of cleanliness, hygiene, health, and comfortable living.

### Product inspection and maintenance

#### Basic concept

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 throughout all our products and services.

### Safety and reliability of our cleaning services

For families and business establishments, we offer technical services, from cleaning and housekeeping, to pest control to regular tree, shrub and lawn care. For all these services, we conduct safety checks that cover the equipment, materials and chemical agents used in those services.

In rendering these services, we strive to maintain and improve their quality level through endeavors such as training and internal competitions for keeping up the quality skills of our workers.



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 implementing function as well as safety checks. This ensures that customers can use our rental items with a sense of safety, reliability and comfort. For home health care equipment, for which hygienic control is required by the law, we follow the appropriate processes for sterilization. Included in our extensive cleaning methods is ozone fumigation, which eliminates bacteria as well as odor. We ensure our rental items are properly maintained and stored.



Cleansing wheelchair foot pedals



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

#### TOPICS

## To address and help prevent a rising social problem, special frauds Providing custom-made mats for enlightenment

Cooperating with prefectural police, Duskin enlightens and raises awareness of the public by proposing Prevention of Special Frauds Mat to be placed at financial institutions. This mat with the original messages printed to call attention to this topic was first initiated by the request of the Hokkaido Prefectural Police in July 2016. Duskin was to become "Adviser on the Prevention of Special Frauds," and with this first step we began to further realize our goal of contributing to our customers in their local communities.

This activity was expanded throughout Japan, and as of March 31, 2017, a total of 6,381 custom-made mats in 21 prefectures had been placed in front of automated teller

machines at financial institutions and convenience stores. Our customers have voiced their enthusiastic appreciation for this program, and in particular the idea of printing the names and phone numbers of the prefectural police on the

mats with the goal of reducing the number of victims to zero. Our CSR activity effort in prevention of crimes with the mats was recognized and awarded in September 2016 as an Anticrime CSR Fulfilling Enterprise by National Crime Protection CSR Promotion Committee.



**Hajime Imamura**  
Hokkaido Regional Office  
Clean & Care Sales Group

The number of victims of this special fraud has been increasing each year, especially those of the fraud using unattended automated teller machines.

In order to protect our customers in communities, we feel that such activities in cooperation of each prefectural police are necessary.

Supporting our customers, we continue to actively take part in initiatives to protect our customers from special frauds.



# Food Safety and Reliability

Duskin places the highest priority on food safety so that customers can enjoy all of our foods. To ensure safety, we have established quality standards for all phases from the food product development, serving the foods to customers, and ultimately for customers as they enjoy these foods.

## Food Safety Council

For the development of new food products and in consideration of the resulting specification changes, a meeting is held to ensure safety by our Food Safety Council, which consist 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, of storage and distribution facilities, and handlings at sales locations.



Food Safety Council

## Inspection of contracted raw material processing plants

The Quality Assurance & Risk Management team conducts inspections of new contractors before transactions, inspection of their production operation and periodic inspections of all contractors. Our inspection specialists for food processing plants conduct comprehensive quality inspections with more than 400 items on our checklist for facility management, process management, sanitary management and production management. The periodic inspection is conducted between once every year to three years depending on different circumstances and rankings. Each plant is ranked according to the assessment, the feature of production lines, number of complaints in the past.

Regular inspection of consigned raw material processing plants (storage)



## Inspection of storage and distribution facilities

In order to maintain the quality of products and raw materials, our inspection specialists from the Quality Assurance & Risk Management team conduct various inspections: on storage conditions during the transportation to sales locations, temperature control and best-before dates. In addition to the inspection of new contractors, the periodic inspection is conducted once every three years. The Purchasing & Logistics members of Mister Donut Business Group also constantly check the level of quality and improvement on the daily basis.

## Sanitary management at sales locations

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



Hygiene inspection at Mister Donut shop

## Providing information on food safety and reliability

### Nutritional information

At Mister Donut, nutritional information about a food product (equivalent amount of energy, protein, fat, and 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. A printout of this information is available to customers upon request at any shop. Nutritional information for each product is also made available on Mister Donut's official website.

In 2016, the price cards were revised with calories indicated for each and every item so that customers could check the calorie information not only on the official site but also at stores. (Rolled out on November 8, 2016 at stores nation-wide.)



Revised price card

### Allergen information

With the increased concerns in our society regarding food allergies, Mister Donut makes an effort to provide allergen information to our customers. At the shops, the price card for each product shows whether the item includes any of the seven specified allergenic ingredients. A printout of a list of information on the products, in accordance with the specified allergenic ingredients, is available to customers upon request.

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

### Information on the origins of raw materials

At Mister Donut, 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.



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

### TOPICS

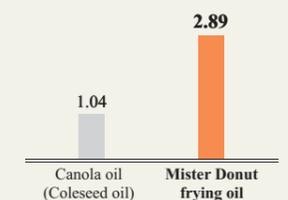
## Quick response to utilize low trans-fatty acid oil

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 diseases\*1. 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 for the allowable intake\*2. Nevertheless, Mister Donut has been taking the lead in confronting this problem, and has been utilizing oil with a significantly reduced amount of trans-fatty acids at all of its stores since December 2007. In 2013, the ingredients, production, and recipe for the frying oil were revised and we developed a new oil with improved flavor while keeping the use of trans-fatty acids reduced. Another unique feature of the Mister Donut frying oil has been proved through research that it is not readily absorbed. Methods to reduce the amount of trans-fatty acids, including for raw materials other than oil such as in the flour mix and the coating ingredients, have gone through repeated research and development, so that the amount of trans-fatty acids included in all of the donuts and pies offered at our stores are kept down to an average of 0.25 grams\*3. In conducting such research and development, we placed particular emphasis on maintaining the same taste, texture, and flavors of Mister Donut that our customers love.

### Amount of the oil not absorbed

(Ave. amount: Unit: grams)

The amount of unabsorbed frying oil when two donuts, each of which absorbs 15 grams of the frying oil, are consumed.



\*1 Risk of disease is based on the report issued in 2003 by the Joint World Health Organization (WHO) / Food and Agriculture Organization of the United Nations (FAO) Expert Consultation.  
\*2 In Japan, according to data issued in 2008 (total from the amount of production), the average intake of trans-fatty acids is 1.4 grams per day, and the ratio compared to total energy intake is approximately 0.6%, which is below the "less than 1% of the total energy intake" recommended by the WHO and FAO.  
\*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.

# Communication with Customers

To respond flexibly to the changes in lifestyle and social environment, Duskin incorporates the voices of customers in providing products and services that answer the needs of our customers.

## Response at the Call Centers

### Basic policy

The Duskin Call Center and the Mister Donut Customer Center both reach out and 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 respond clearly to their questions. To ensure prompt service, we estimate the number of calls we receive based on the day and time of day, and develop a flexible personnel plan to best meet any day's scheduling needs.



### Sharing of customers' needs

The content of the conversations with customers is shared with our staff in the different business segments to understand the current customer needs in a timely manner, which in turn enables us to bring forth better products and services.

The customers' needs our operators document are also passed onto franchisees as well as related departments (in Regional Offices and the Head Office) when needed. Thus, we have an established structure where our franchise shops/locations and related departments cooperate with each other. We have installed the call center system at Safety Management so they can have access to and check the same information with as much detail as at the Call Centers.

In the future, we are planning to reinforce mutual cooperation: the Call Centers will share their FAQ and answers with Regional Offices and related departments.

### Improvement in responsiveness

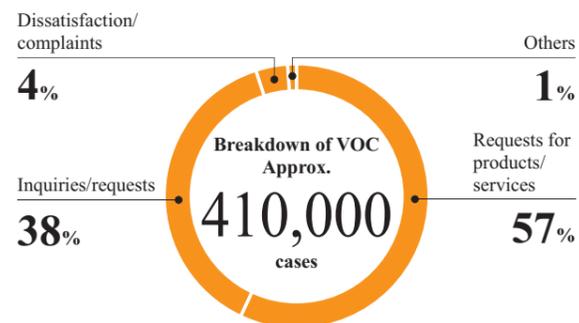
At Duskin, we hold study sessions with external trainers to help our operators improve their responsiveness.

In FY2016, a study session on call monitoring was held with 20 participants including those from our partner companies. We also had the "How to Speak Japanese Beautifully" Class with 40 participants including those from our partner companies.

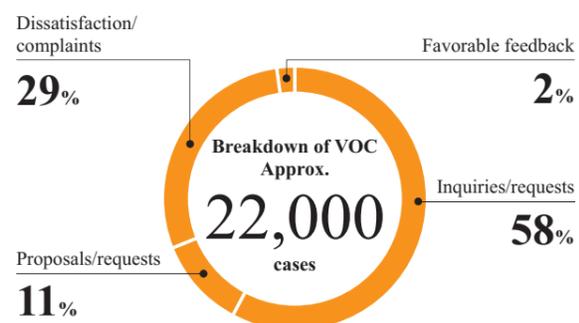


"How to speak Japanese beautifully" Class

### ▼ Duskin Call Center



### ▼ Mister Donut Customer Center



(FY2016 results)



## MISDO Fan Meetings

To directly listen to our customers' feedback, we have held MISDO Fan Meetings every month with participants chosen by lot on a prefectural basis since May 2014. The President & CEO of Duskin and staff from our Mister Donut business directly listen to the participants' feedback and requests, and introduce information about Mister Donut including its history and initiatives.

These meetings have been a source of various requests and feedback, such as "bring back the donuts that you sold before" and "develop more low-calorie, low-allergen items." We have utilized the collected feedback to improve and enhance the products and services offered by Mister Donut.

During FY2016, we held meetings at twelve prefectures in Japan with a total of 752 participants. (Total participants since May 2014: 2,049 at 35 prefectures)



MISDO Fan Meeting

## Round-table conferences with consumer organizations

On November 2, 2016, we held a Consumer Round-Table Conference for the purpose of garnering feedback from parties representing consumers and incorporating their feedback into the management of our business.

Participants in this conference, the tenth since the gathering was first held in 2006, included six persons representing six consumer and other organizations, as well as Duskin's Directors and outside directors. The meeting consisted of a tour of a mat manufacturing plant, where the staff are making every effort to enhance the value of our products and services.

We plan to continue holding these Consumer Round-Table Conferences as a valuable forum for exchanging opinions on topics selected from a broad range of themes.



Consumer Round-Table Conference

### TOPICS

## New products and services developed based on customers' feedback

Mister Donut reflects our customers' feedback and requests received at the Customer Center and MISDO Fan Meetings in the improvement of its products and services.

To respond to customers' feedback that they wanted to drink coffee but avoid caffeine, Mister Donut developed a low-caffeine coffee, rich in taste and aroma by using green coffee beans with caffeine reduced by 97%.

In addition, we released new items, Dream Donuts, which incorporated customers' ideas for their ideal donuts. We also introduced an all-you-can-eat Donuts Buffet to respond to the requests that customers wanted to eat many donuts that they love. We are always working hard to reflect our customers' feedback into our products and services to bring us closer to our customers.



Low-caffeine coffee

Dream Donuts



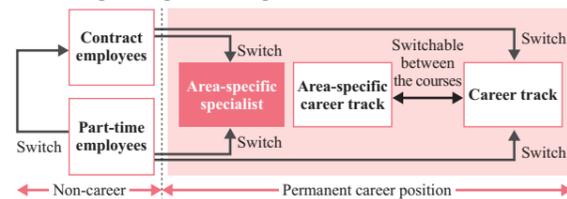
# Employment and Work Environment

To keep our company innovative, it is important that our employees work with vitality and motivation. Duskin aggressively promotes highly skilled and ambitious talent and creates an environment where they can fully manifest their ability and experience.

## System for promotion to permanent status

We have a system for non-career employees who are qualified to change their career paths to permanent career positions. In FY2016, a new “area-specific specialist” course with limited transfers/changes within certain geographic areas was added within the permanent career category. It has expanded opportunities for obtaining permanent career positions. In the past, non-career employees had only one option: the permanent career track course with only a few open positions in a year. In FY2016, 78 non-career employees moved their positions to area-specific specialists. Course changes for area-specific specialists within the permanent career category are now under review in order to leverage human resources even more effectively.

### ▼ Career path to permanent positions (Duskin, non-consolidated)



### ▼ Basic HR data

		As of March 31, 2015	As of March 31, 2016	As of March 31, 2017	Notes
Number of employees *1	Male	2,306	2,350	2,325	Number of permanent career and non-career employees (excl. Directors and temporary employees)
	Female	1,181	1,188	1,203	
	Total	3,487	3,538	3,528	
Number of newly-entered employees *1	Newly-graduated	24	30	31	Number of newly-entered permanent career employees Includes employees locally hired overseas
	Midcareer hires	118	112	195	
Number of non-career employees who moved to permanent career positions *1		28	36	100	
Number of permanent career employees who resigned *1		115	142	131	Excludes permanent career 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 Injuries requiring a leave of absence of 3 days or less
	Severe	47	42	36	
	Mild to moderate	185	172	134	
Status of union participation *1	Number of employees	2,989	3,021	3,111	
	% of participation	100	100	100	
Companywide training: Yearly hours of training per employee *1		6.9	9.5	9.3	Excludes business-specific training
Average age *2	Male	45.6	46.0	46.2	
	Female	42.2	42.3	42.6	
	Overall	44.5	44.9	45.1	
Years of employment *2	Male	18.0	17.9	18.0	
	Female	13.4	13.4	12.6	
	Overall	16.7	16.5	16.3	
Score on employee survey *2		3.83	3.78	3.76	Out of a maximum score of 5.00

\*1 Duskin and its consolidated subsidiaries \*2 Duskin, non-consolidated

# Human Resource Development

At Duskin, “people” is at the core of all services and products. We nurture our people to support each other and strive for personal growth; they not only develop knowledge and skills, but also compassionate hearts.

## Employee development

### Educational and training programs

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

In FY2016, a total of 14,134 employees participated in education and training programs in accordance with their objectives and career paths to enhance their knowledge and skills. Furthermore, new training was provided for those in managerial positions to support the development of their employees’ careers and to promote the active participation of women.

In the future, the course hosted by the Japan Franchise Association (JFA) will be added to our educational programs for those in managerial positions and area managers to develop expertise in franchise management and to broaden their perspectives as supervisors.

### Commitment to our management philosophy, Prayerful Management

In April 2016, Duskin established the Institute of Prayerful Management in order to incorporate our management philosophy into our everyday job activities and responsibilities.

In FY2016, the Institute held Prayerful Management study sessions and voluntary workshops for all Duskin employees, franchise owners and staff. The goal of these activities was to make our management philosophy take root as guidance for all Duskin Family’s actions so that each of us would reflect it in our daily activities.

In the future, we will focus on “studying and evolving,” “conveying and spreading,” and “encouraging our people to learn” Prayerful Management.



Prayerful Management study session

### ▼ Companywide education system

Rank	Rank-specific	Career development	Post-specific	Company-wide	Business division-specific			Self-development	
					Dust Control	Care Services	Mister Donut		
<b>Total number of participants</b>	<b>303</b>	<b>400</b>	<b>208</b>	<b>8,312</b>	<b>1,354*</b>	<b>161*</b>	<b>3,004*</b>	<b>392</b>	
<b>Managerial position</b>	Senior management	Effective communication	Career design study	JFA Franchise management consultant lecture & Supervisor school	Prayerful Management study	Six sigma workout (continuous process improvement)	Compliance	Post-specific training	License acquisition/renewal training
	Management								
<b>Leader position</b>	Leader (Chief)	Next generation leaders	Area Manager training	Prayerful Management study	Six sigma workout (continuous process improvement)	Compliance	Post-specific training	License acquisition/renewal training	
	Leader (Senior staff)	Career development							
	Leader	Overseas training							
<b>Development</b>	3rd year review								
	6 months/first/second year review								
	Itoen 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.
- Create a climate in which women have a sense of fulfillment and feel encouraged to play active roles to utilize their perspectives. Improve the work environment by empowering those in managerial positions. Nurture the sensitivity of all employees so that they understand and respond to the diverse needs of the market.

\* Franchise staff members included



## Human Resources

Skilled and compassionate people who respect and support each other



Training at Duskin School

### Support for franchisees' human resource development

#### Duskin School

This educational center for all Duskin businesses provides franchise owners, staff members and managers with comprehensive learning, from our management philosophy to operation know-how. With its highly-experienced instructors, wide-reaching training curriculum and well-equipped facilities, Duskin School gives those individuals the best venue for mastering knowledge and skills. The participants in the business-division-specific training programs in FY2016 were 1,515, totaling 19,868 hours.

#### Regional Training Centers

To gain the trust of our customers, we have been striving to develop superior products and services, and to have staff with specialized knowledge deliver those products and services. At our Regional Training Centers set up in eleven locations across Japan, Duskin conducts ongoing training programs including ones tailored to the specific needs and attributes of each local market.

#### Mister Donut College

Mister Donut College is a facility for employees to learn not only about donut-making and customer service techniques, but also about the philosophy of Mister Donut and the best attitude for serving our customers. Through forming teams and engaging in practical-intensive 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 operate their own shops as Shop Manager. The participants in the training programs in FY2016 were 3,004, totaling 37,788 hours.



## Work-life Balance

We have formulated and been implementing our action plans to establish an environment where our employees can achieve a balance between their work, childrearing, and home life. While demonstrating their full potential, they are able to feel a sense of true accomplishment and satisfaction.

### Work-life Balance Action Plans

Action plans have been developed in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children. These action plans, now in its fourth term, promote a variety of initiatives during the three-year period from FY2016 to FY2018. In FY2016, Duskin received Kurumin certification from the Ministry of Health, Labour and Welfare. The certification is granted to the enterprises that successfully meet certain standards for child care support. Duskin has also drawn up a program to allow employees to extend the period of childcare leave in certain cases including the one where their child is put on a nursery school waiting list. (to be implemented in FY2017)



Kurumin Mark

#### Major initiatives of the fourth-term action plans

- Promote work-life balance**
- Continue No Overtime Work Day, and further popularize this practice.
  - Encourage employees to take paid vacation leave (five consecutive days).
  - Continue Family Participation Day at workplaces.
- Programs that assist employees to achieve a balance between work, childrearing and nursing care**
- Give support towards employees on childcare leave and to those returning to work after leave.
  - Encourage male employees to take paternity leave.
  - Review information on nursing care to provide.

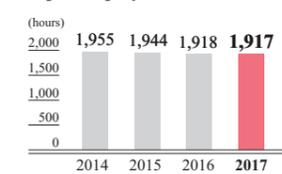
### Reduction of long working hours

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

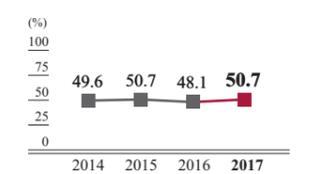
#### Initiatives

- Report on the actual situation of overtime work at the Board of Directors.
- Reduce long working hours in each department.
- Conduct No Overtime Work Day at least once a month.
- Turn off the lights at six p.m. at Duskin Head Office building.
- Participate in Premium Friday Campaign.

#### Total annual hours worked per employee\*1 \*2



#### Ratio of paid vacation leave taken\*1 \*2



\*1 As of March 31 each year \*2 Duskin and its consolidated subsidiaries

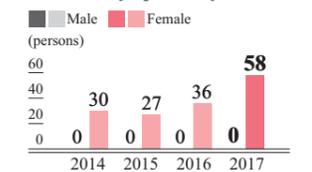
### Assistance for a balance between work, childrearing and nursing care

Duskin has organized assistance programs for employees raising children and those who need to provide nursing care to family members. (See the table below.) These programs help employees to achieve work-life balance.

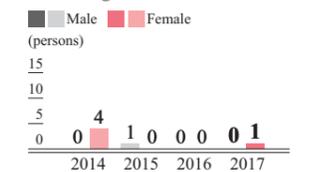


Four-Leaf D-Turn (re-employment program)

#### Number of employees who took maternity / paternity leave\*1 \*2



#### Number of employees who took nursing care leave\*1 \*2



\*1 As of March 31 each year \*2 Duskin and its consolidated subsidiaries

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

Name	Description	Target employees
<b>Four-Leaf Shift</b>	Provides flexibility to shift the start time up to 90 minutes before or after.	◆ Pregnant employees ◆ Employees who are raising sixth graders or younger children ◆ Employees who reside apart from their families and need to go to and return from their families' homes ◇ Employees who need to provide nursing care for family members
<b>Four-Leaf D-Turn</b>	Enables employees who resigned to return to work.	◆ Employees who had no choice but to resign for childrearing, nursing care or other reasons
<b>Reduced work hours for childrearing I</b>	Shortens work hours by a maximum of two hours a day.	◆ Employees who are raising children under the age of three
<b>Reduced work hours for childrearing II</b>	Shortens work hours by a maximum of one hour a day.	◆ Employees who are raising children at the age of three or older to younger than second graders
<b>Nursing care leave</b>	Provides five nursing care holidays for one family member who needs nursing care, and ten holidays for two or more. Allows employees to take a leave of absence of up to 365 days per family member.	◇ Employees who need to provide nursing care for family members
<b>Accumulated paid holidays</b>	Enables employees to use accumulated paid holidays for providing their family member with nursing care.	◇ Employees who need to provide nursing care for family members

◆ Childrearing related ◇ Nursing care related

#### TOPICS Development of Hygiene Masters, sanitary management professionals

Duskin has a program to develop and certify Hygiene Masters who provide advice on sanitary management, mainly for restaurants. Hygiene Masters use measuring instruments to quantify the level of dirt, and check twenty indicator items, including temperature control for refrigerators. They then prepare a report that helps customers ascertain their hygiene status, improve problematic areas, and sustain an improved level of cleanliness. Afterwards, they advise on how to prevent hygienic risks. At our Duskin School and Regional Training Centers across Japan, Hygiene Master trainees thoroughly learn sanitary management beginning with the basics before being certified. They also conduct a continuous series of role-playing exercises, and evaluate sanitary conditions at customers' places of business with their trainers to obtain practical know-how.



#### TOPICS Development of Mister Donut shop managers

In order to become a manager of a Mister Donut shop, employees need to pass a rigorous exam and acquire a license. New managers learn our Management Philosophy and shop operation standards over a 49-day curriculum. Those with the Mister Donut experiences receive the sixteen-day training to acquire a shop manager's license. They relearn the donut-making process from the ground up, and also receive a thorough education on shop operation know-how while engaging in active discussions 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 on enhancing their skills and on serving our customers.



#### Four-leaf clover of Duskin's company badge

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





# Diversity

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

## 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. Our goal is to increase the ratio of female employees in managerial positions to 8.0% or more. Currently, we have 22 female employees in managerial positions, who account for 6.3% of the 350 managerial positions, a 0.3% increase from FY2015.

Since many of Duskin's customers are women, we look to provide products and services that are attractive, convenient and comfortable from women's perspectives.

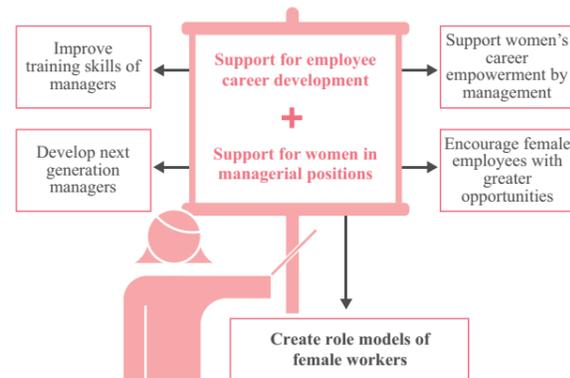
Thus, we have been aggressively developing and advertising such products and services including Housekeeping Service, Maternity Mama Support Plan, and Laundry Delivery Service, targeting women to meet their needs with their preferred approach and sensibility.

We are also promoting more women into Area Manager positions, which are responsible for giving guidance to our franchise offices.



An Area Manager gives support to franchise offices

### Image of the Action Plan

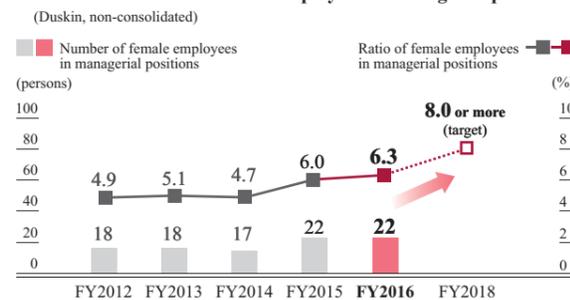


### Initiatives and Results in FY2016

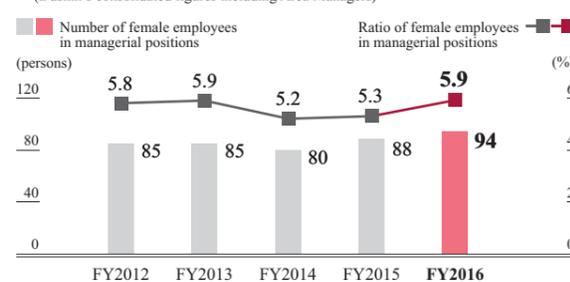
Training	Participants
Communication to help management level personnel motivate their team members	142
Career development for assistant staff members*	137
Next generation leader development: career training for management positions	8

\* Training to motivate employees to advance to managerial positions with leadership opportunities in the company

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



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



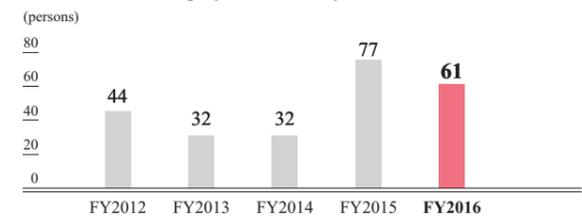
\* Duskin and its consolidated subsidiaries

## 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 increased calls for greater opportunities to continue working following mandatory retirement. This also ties into the social issues of manpower shortages and how to pass on the knowledge and experience that older employees have accumulated over the years to the next generation.

Duskin has a program in place that re-employs employees after the mandatory retirement age of 60. As a general rule, those employees are asked to continue duties in the department where they worked at the time they retired. This system leverages those employees' experience, and enables them to both demonstrate their ability and share their knowledge.

### Number of re-employed mandatory retirees\*1 \*2



\*1 Number of newly re-employed retirees during each fiscal year  
\*2 Duskin and its consolidated subsidiaries

## Hiring of people of foreign nationalities

In order to answer the heightened needs for assistance with household chores, Duskin was approved as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones in Kanagawa, Osaka and Tokyo, and started the business in April 2017.

We are planning to hire approximately 100 people of foreign nationalities within the next three years. (See Topics on page 41.)

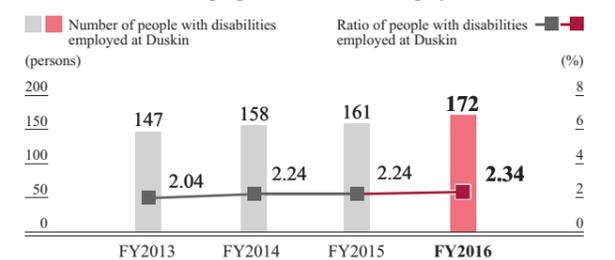


## Hiring people with disabilities

We believe it is also the social responsibility of corporations to provide employment opportunities to people with disabilities. These employment opportunities should be individually matched to the capabilities of the recruits.

In FY2012, we launched the Project to Promote the Employment of People with Disabilities to provide more job opportunities. Through the project, we examined the types of jobs suitable for the different possible skills and interests of people with disabilities and established the structure to assist them. As a result, we received the FY 2014 Health, Labor and Welfare Minister's Award for Outstanding Offices for the Employment of Persons with Disabilities.

### Number and ratio of people with disabilities employed at Duskin\*1 \*2



\*1 As of June 1 each year  
\*2 Duskin and its consolidated subsidiaries

Duskin will continue to actively address the promotion of the employment of people with disabilities and do our part to realize the creation of a society where everyone can live with a sense of active participation, reward, and purpose.

Since 1981, through The Duskin AINOWA Foundation, Duskin has been providing opportunities for people with disabilities to learn about welfare for those with disabilities. (See page 66.)



Actively employing people with disabilities



## Human Resources

Skilled and compassionate people who respect and support each other

# Employees' Health

For a company to be truly healthy, it begins with each employee and their health. We therefore have been making long-term efforts to help employees maintain and improve their own individual as well as their families' health.

### Basic Policy

Under our philosophy Prayerful Management, we commit to helping employees and their families live healthy, fulfilling, and spiritually rich lives. With this in place, we are able to develop the company in a healthy way and to continue Sowing the Seeds of Joy to people and communities. We help our employees maintain and improve their health in cooperation with the health insurance society, and the labor union. We work on Health and Productivity Management by encouraging employees to improve their health through their own PDCA cycle while further developing each employee's health literacy.

### Initiatives

#### Prevention of lifestyle-related disease

Based on the results of employees' periodic health checks, occupational health staff advise employees to receive medical consultation in order to prevent lifestyle-related diseases from developing or becoming worse, and also help them improve their lifestyles.

#### Cancer screening

We have been promoting screening to detect certain cancers at the early stage when they are most likely curable.

#### Mental health

We have developed programs to raise self-care awareness and to provide medical consultations, and have been improving work environments based on the analysis of employee stress survey results.

#### ▼ Results of employees' health checks and surveys

	FY2013	FY2014	FY2015	FY2016	Notes
% of employees who received periodical health checks	99.3	99.5	99.6	99.7	Excludes those who did not receive health checks for valid reasons including overseas assignments, childcare leave, illnesses, and injuries.
% of employees who received close examinations	15.0	15.2	18.4	19.5	% of employees who received a close examination after notification
% of employees with healthy weight	68.7	67.3	68.2	66.2	BMI 18.5–25
% of smokers among employees	32.2	32.1	30.0	29.5	
% of employees who take regular exercise	21.5	20.2	21.6	21.9	% of employees who do exercise for 30 minutes or more at least twice a week

#### Health literacy

To help employees live healthy and spiritually rich lives, we disseminate health information through personal portals utilizing ICT. It also helps employees improve their health literacy in a fun way.



KenCom, a health information website



#### Health White Paper

Every fiscal year we publicize a Health White Paper that contains the analysis of Duskin office employee health trends and achievements of our own health promotion efforts, the progress toward the measurement goals, and the results based on the Data Health Plan.

#### Certified as White 500, Health and Productivity Management Organization 2017

In February 2017, Duskin Co., Ltd. was certified as White 500, Health and Productivity Management Organization 2017 under the large enterprise category.

White 500 is a program designed by the Ministry of Economy, Trade and Industry jointly with the Nippon Kenko Kaigi to recognize outstanding large enterprises engaging in efforts for health and productivity management in collaboration with the health insurance society members and other associations. Duskin received the certification in the first year of this program.



## Local & Social Contributions

To contribute in making communities more considerate of all people

# Initiatives to Contribute to Society

As a member of the society, we have been, and will be actively conducting various initiatives that contribute to local communities under our motto, Let Us Sow the Seeds of Joy.

Duskin Leadership Training Program in Japan



### The Duskin AINOWA Foundation

In 1981, when the United Nations' designated International Year of the Disabled, Duskin founded Let Us Expand Circle of Love Foundation. The foundation committed to achieving independent living for people with disabilities and their total participation in society, based on the concept of "May I help you?" (The Foundation was authorized as a public interest incorporated foundation in February 2012.)

Currently, the Foundation has approximately 189,000 members, including the employees at Duskin Group, and it conducts various activities to support and coexist harmoniously with people with disabilities in society. At the shops and restaurants of our Food Group, the information leaflets of Duskin AINOWA membership and donation boxes are placed by the cashier to encourage greater participation in our activities.



Donation box and membership information leaflet of the Duskin AINOWA Foundation

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 their local communities. A total of 496 trainees have studied abroad for the past 36 years since its founding. After returning to Japan, they utilize their



Duskin Study Abroad Leadership Program for the Disabled

experiences to play active roles in their various professions, including university professors, operators of independent living centers and sport instructors for people with disabilities. In the other 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 18 years, a total of 127 trainees from 27 countries and regions have learned in Japan, and they are now playing leadership roles in their homelands.

Note: The numbers of trainees (including those under training) for both programs are as of March 31, 2017.

#### Celebrating its 35th anniversary, a presentation of trainee reports was held.

To mark the 35th anniversary of its establishment, the Foundation held a presentation of Study Abroad Leaders Program Report by the trainees at the Marunouchi Hall & Conference Center in Chiyoda, Tokyo on July 2, 2016.

In front of a total of 211 attendees, one 33rd-year trainee and thirteen 34th-year trainees, including four individual trainees and nine group trainees representing two groups, shared their takeaways from their training sites.

The attendees gave feedbacks such as "I am very encouraged," "I am strongly moved by the presenters' shared passion to make Japan comfortable for everyone to live in," and "I am very proud to be a part of the AINOWA."

#### Donation of 10% of sales on Mister Donut Founding Day

Mister Donut declared January 27 as Mister Donut Founding Day. Our shops across the nation donate 10% of the sales on that day to the Duskin AINOWA Foundation.

A total of 19,196,239 yen was donated on January 27, 2017.



Announcement of Mister Donut Founding Day



## Local & Social Contributions

To contribute in making communities more considerate of all people



### School education support



Duskin seeks to contribute to society through its core business which is cleaning. To achieve this goal, Duskin Institute of Cleaning Education (formerly the Institute of Comfortable Life) was established and has led various support programs at no charge for school education since 2000.

Duskin's school education support activities are comprised of three pillars: on-site classes that help raise children's interest in cleaning; seminars for teachers to learn how to teach cleaning at school; and cleaning education curriculums for teachers.

We also established the training program to certify our employees as School Cleaning Masters in order to further enhance the contents of classes and seminars.

In March 2017, these activities were highly evaluated and recognized by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) as an enterprise enriching young people's experiences. Duskin received the Review Board Special Award under the large enterprise category.

Our initiatives were evaluated as exemplary because we guided teachers to instruct children effectively and helped children be comfortable with cleaning. We supported them to learn the necessity of cleaning and correct use of cleaning tools.



Receiving Review Board Special Award as "an enterprise enriching young people's experiences," recognized by the MEXT.

### Sow the Seeds of Cleanliness on-site classroom

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

This program was held at 1,312 schools nationwide for a total of 118,801 children educated over the past five years through March 2017.



### Seminars for teachers

The total cleaning time at a typical school currently equals 66 lesson hours per year. Teachers want to use this time to develop children's sustained abilities, though they do not know exactly how to properly instruct them. In response, Duskin's School Cleaning Masters hold seminars for teachers to teach them how to use cleaning tools and how to instruct children on cleaning.

The seminars contain practical programs, such as group discussions for planning educational cleaning lessons which are also useful for teachers' daily educational cleaning lesson plans. As of March 2017, a total of 230 school boards and 6,144 teachers have participated in this seminar.



### Educational 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 depending on the situation of their own school. [www.duskin.co.jp/torikumi/gakko/curriculum/](http://www.duskin.co.jp/torikumi/gakko/curriculum/) (Japanese version only)

### Support for people returning home 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 while trains, busses and other public transport system are stopped.

As of March 2017, a total of 532 shops in 38 prefectures have been registered for this purpose since the start of the initiative in 2008. Under this agreement, we provide those affected with drinking water, bathroom access, and traffic and other information at our shops.

Our shops have Return-Home Assistance Station stickers displayed on their storefronts to help generate widespread awareness of this initiative.



Return-Home Assistance Station sticker

### Response to Kumamoto earthquakes

#### Restoration efforts for our businesses

On April 14 and 16, 2016, the Kumamoto earthquakes occurred, measuring a maximum of 7 on the Japan Meteorological Agency seismic intensity scale. Some of Duskin Group's affiliated plants and franchise shops and locations in Kumamoto area suffered damage from the earthquakes.

In particular, Duskin Kumamoto Central Plant (Duskin Product Kyushu Co., Ltd.) in Mifune-machi, Kumamoto was severely damaged. The Plant was in charge of cleaning around 30% of dust control products in Kyushu region, but after the earthquakes, its operations were fully suspended for a while. Until its full recover in early June, other plants in Kyushu area were assigned to the operations as we kept the impact on our customers to a minimum.

Meanwhile, many Duskin franchisees were forced to suspend

their operations due to the damaged utilities, and the temporary closure of the shopping centers where their shops were located. All of our shops were fully recovered on September 29, 2016, when Mister Donut You Me Town Hamasen Shop resumed its operations.

On April 15, 2016, we set up a local disaster response office in Kumamoto, headed by Kenichi Miyajima, Senior Executive Director. The office continued the support until all the shops restarted their operations. We dissolved the office on September 30, 2016.

#### Support for evacuees

Duskin supported the evacuees living in emergency shelters by providing mats, mops and other supplies.

Additionally, on July 2 and 13, 2016, Duskin National Care Service Franchisee Association and its Kumamoto Area Council conducted volunteer cleaning activities at Mashiki Hospital in Mashiki-cho, Kumamoto, which was damaged severely.



Providing mats to emergency shelters



Volunteer cleaning at Mashiki Hospital



## Local & Social Contributions

To contribute in making communities more considerate of all people

### Community outreach

#### Duskin Production & Logistics facility tour

The plant tours in Duskin Production & Logistics facilities are conducted as an opportunity for people to experience eco-friendly activities in action. We offer an opportunity to learn about the value of each product and the importance of environmental protection by actually observing the process of cleaning soiled mats and mops from collection through reprocessing and shipment. During FY2016, 5,282 people visited Duskin plant facilities throughout Japan and learned about our initiatives.



Children on Duskin plant tour

#### Duskin Museum

Since its founding, Duskin has worked to forge an all new culture of cleaning with water-free chemically-treated dust cloths. 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 Pavilion promotes the culture of cleaning by linking past history with the present and the future. The MISDO Museum



The second floor: The Cleaning Pavilion

The first floor: 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 donut-making there.

During FY2016, the Museum had a total of 48,041 visitors including 18,148 participants in the donut-making program. The Museum has been spotted as one of the popular visiting sites in Kansai area.

#### Duskin Open College

Since our founding in 1963, we have developed various businesses, services and products, such as rental of cleaning tools and housecleaning. We have strived to help people have more clean and comfortable lives.

In 2016, Duskin Open College was started with the purpose of contributing to people's clean and comfortable lives. We utilize various expertise and provide housecleaning tips and solutions to help people develop the skills to enjoy their own housekeeping. We established 4 programs: housecleaning; lawn care session and gardening tips; social manners and etiquette; and end-of-year cleaning. We had a total of 53 participants.



A class of Duskin Open College

### Cleaning activities for local communities

#### Clean Up My Town

Clean Up My Town is a Duskin-sponsored nationwide activity to pick up trash at local event sites, following the environmental commitment statement of Sowing the Seeds of Ecological Responsibility for the Future. This cleaning campaign, initiated in 2006, has attracted a total of 280,000 participants, with the amount of collected garbage and waste totaling more than 11 tons.



In FY2016, 32,428 people adopted our mission to clean our local communities together, and participated in this campaign nationwide to collect approximately 654.4kg of trash. Ever since FY2015, these cleaning campaigns have also been held at the site of Pink Ribbon Walk Events nationwide as a part of Pink Ribbon Campaign that promotes awareness on breast cancer.

#### Result of Clean Up My Town 2016



#### Cleaning activities on 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.

### Support for cultural and sport activities

#### Supporting "Heart Theater" by Shiki Theatre Company

"Heart Theater," hosted by the Shiki Theatre 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, a caring heart, and the joy of trusting one another. The project was launched in 2008. During FY2016, approximately 560,000 people were invited to 480 performances held in 178 cities across Japan. As a part of our contribution to society, Duskin has sponsored and supported this project since FY2014.



The musical "The Prince and The Pauper" at the Heart Theater by Shiki Theatre Company

#### Osaka Marathon sponsorship

The Osaka Marathon marked its 6th anniversary in October 2016. From the inaugural marathon, Duskin has continued to sponsor and contribute to the event theme where runners and participants get involved in charity activities. Aiming to promote one of the charity themes of preserving our beautiful city, we collected garbage around water stations and donated all the trash boxes along the course.



The 6th Osaka marathon (Oct. 30, 2016)

### Shareholder benefit donation program

We are keenly aware that Duskin is not only a business enterprise but also a member of society, and as such we fully engage in social contribution activities. For our shareholders who own more than 100 shares and receive shareholder benefits, we offer this program to encourage their participation in our CSR activities by donating their certificates of the shareholder benefits. The equivalent amount of the certificates returned from those shareholders is donated to charitable organizations. In FY2016, the shareholders' donation through this program totaled 412,500 yen to the Duskin AINOWA Foundation, and 493,000 yen to the Japan Red Cross Society.



# Providing solutions to social challenges

Under the Duskin Group CSR concept of “proactively respond to the expectations of society,” Duskin has engaged in providing safe, reliable and excellent products and services to contribute to the sustainable development of a society where people can live more comfortably with greater fulfillment.

## Providing solutions to challenges of aging society

In Japan with a rapidly 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 Rental and sale of home health care equipment

Through our business, we support seniors’ daily living at home. While contributing to their improved quality of life and independence, 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 product risk assessment, we only offer items that have cleared our strict self-imposed standards. We also visit the customers on a periodic basis to check the status of the use of the equipment and to ensure the safety of the customers who have been using the equipment for a long period. Under thorough sanitary maintenance systems, the equipment is cleaned, sterilized and maintained. Through all these efforts, we secure the safety and comfort of our users. As we look to the ever increasing needs for home health care equipment, we strive to enhance the variety of equipment that is easy to use for those with lower nursing care level or those without primary nursing care requirement authorization.



### Home Instead Quality home care for seniors

We provide a variety of services, including cleaning, laundry, grocery shopping, outing assistance, dementia care, night watch, meal preparation, personal care, eating support, toileting assistance and companionship on a 24/7 basis.

Our Home Instead CAREGivers, having completed specialized dementia care training, are able to reliably and confidently take care of people with dementia. Providing support for seniors in areas that are not covered by the long-term care insurance, we are able to assist the family caregivers. In 2016, DLCC (Duskin Life Care Communication), a new CAREGiver skill assessment and Grading Program was put in place in order to assure the highest quality service. CAREGivers are required to take a test to check if the skills and knowledge acquired at the training were duly acquired and CAREGivers are graded according to the test result. We also introduced Life Journal, a journal to write down foundational personal stories and key past memories for regular clients. The journal helps CAREGivers connect more personally with clients and to provide services to meet each client’s needs and requests. Life Journal is especially effective for clients with dementia to assist them in recalling pleasant memories in order to spend more peaceful times, to help CAREGivers plan activities that clients enjoy, and that soothe clients’ fears and spirits. In aiming to be the most trusted service provider in communities, we continue to maximize the potential of our DLCC Grading Program and Life Journal.



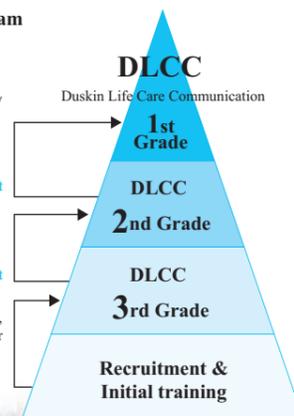
Life Journal

#### ▼ CAREGivers Grading Program

Attain hands-on skill to respond appropriately according to the situation utilizing the knowledge acquired in training. The certified trainer acknowledges the acquisition of required knowledge and skill. + Total of 300 days of services and passed test

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

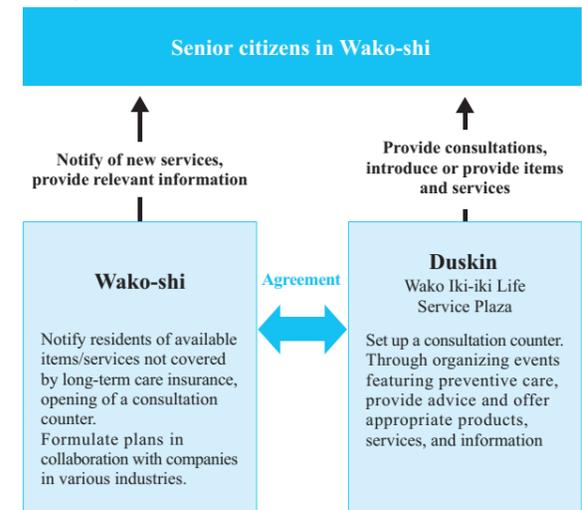
Initial training, GRAD (psychology of seniors), safety program, Dementia Caravan Supporter training, housework training. + 50 days of services and passed test



## Wako Iki-iki Life Service Plaza The contact center in partnership with Wako-shi, Saitama

Opened on January 2016, Wako Iki-iki Life Service Plaza is focused on the purpose of improving the quality of daily lives of seniors. It also helps us cultivate new contact points and develop a method of providing support service programs. The Wako Iki-iki Life Service Plaza organizes various events featuring mainly preventive care and lifestyle improvement, with the aim of providing seniors with additional opportunities to have fun and develop friendships. Providing relevant and necessary information for seniors, and including holding study sessions on various topics and systems, the Plaza also offers appropriate products and services not covered by the long-term care insurance, that satisfy seniors’ individual interests and needs. The average age of visitors is 74.6 and the number of visitors totaled over 2,500 by March 2017. Included in the classes are “Tablet class,” “Preventive care exercise with song & music,” “Food knowledge,” “Handicraft,” “Tips for cleaning,” “Brain workout,” “Pole walking,” and many more. We also held events at four facilities in Wako-shi 15 times last year to raise awareness of the Plaza for those who live further away. Through our “Business to create the industry for extending healthy life expectancy” initiative by METI, we also offer products developed by House Foods Corporation, which contains particular nutrients needed by seniors. A program to energize the body using music and exercise developed by DAIICHIKOSHO CO., LTD., a leading company of Karaoke business, is also offered at the Plaza.

#### ▼ Program overview



In our effort to build senior-friendly communities where seniors can have full-healthy lives, we continue to provide products, and services, and formulate plans in collaboration with companies in various industries.



Wako Iki-iki Life Service Plaza

## For women’s increased involvement in the workplace and their career advancement

### Merry Maids, housekeeping service

Duskin Merry Maids provides professional housekeeping services. Experienced staff members periodically visit customers to provide cleaning and other housekeeping services which meet needs of customers. Merry Maids also offers a service of periodic delivery of daily-use goods. These services are popular among people who live alone and working couples. We help customers enhance their living quality by offering services fit to their lifestyles. We continue to develop services which meet the needs of customers, and aim for future growth of the business by offering solutions to challenges with women’s increased involvement and their career advancement in the workplace.





# Environmental management

Duskin started business with the eco-friendly, recycle-oriented system of renting cleaning products. We have since evolved and expanded into a wide range of businesses; today, we make continued efforts to conserve the environment in all of our business areas.

## Environmental Philosophy

Established in 1998

Our environmental approach grounded upon Duskin's management philosophy

We, at Duskin, are grateful for the blessings of nature. Working for peace and harmony between humankind and nature, we will continue to take eco-friendly actions grounded upon the principles of our philosophy of Prayerful Management.

## Environmental Policy

Established in 1998

Policy to realize the Environmental Philosophy

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 every phase from production to after-use. We seek to lessen the negative impacts on the environment in the following areas:

### 1 Designing, development and selection of products and services

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

### 2 Plant operation

We devote our efforts for resource and energy saving in all plant operations. While reducing the waste and emissions that negatively affect our environment, we promote more effective use and recycling of waste and emissions. We work for effective plant operations that prevent pollution and accidents.

### 3 Distribution, sales and promotional activities

We pursue effective and efficient product distribution, delivery and sales activities. We reduce auto and CO2 emissions 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 Environmental Policy Statement

Established in 2008

Commitment to society to conserve the environment

“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 lives. This philosophy conserves natural resources, and 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 lives. With a focus on repeated use, shared use, reduction of needless waste and disposal, 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 improvement of the future for all.

Symbol mark for ECO-Concern



## Environment management structure

Our Clean & Care Group continues its efforts to conserve the environment based on ISO14001, the international environmental management standard. In 2015, the Group acquired integrated ISO14001 certification for Dust Control Business, Care Service Businesses, and Rent-All Business (registration number: JQA-EM1552).

Our Quality Assurance and Risk Management team conducts research in conjunction with the biannual Quality Assurance and Environment Committees and annual administrative reports to collect data from each business segment.

### Production & Logistics Group and 47 facilities

◎Certification organization: Japan Management Association

◎Registration number: JMAQA-E095

◎First registration: March 3, 2000



### Clean & Care Group / 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



## 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, environmental conservation efforts by corporations and the Duskin information disclosure system. These sessions provide the participants with opportunities to exchange and share their views on how Duskin can improve its contribution to environmental conservation in all of our businesses. By raising environmental awareness, we strive to develop employees who work to conserve the environment throughout all their business activities.

In April 2017, Duskin introduced an e-learning system to enhance the training content of environmental and other programs.



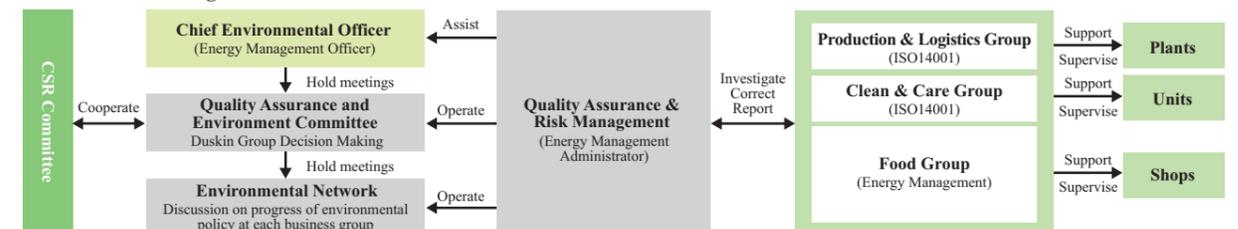
Environmental training session for new employees



E-learning material



### Environment management structure





# 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 of needless waste and disposal.

## ▼ Environmental Data

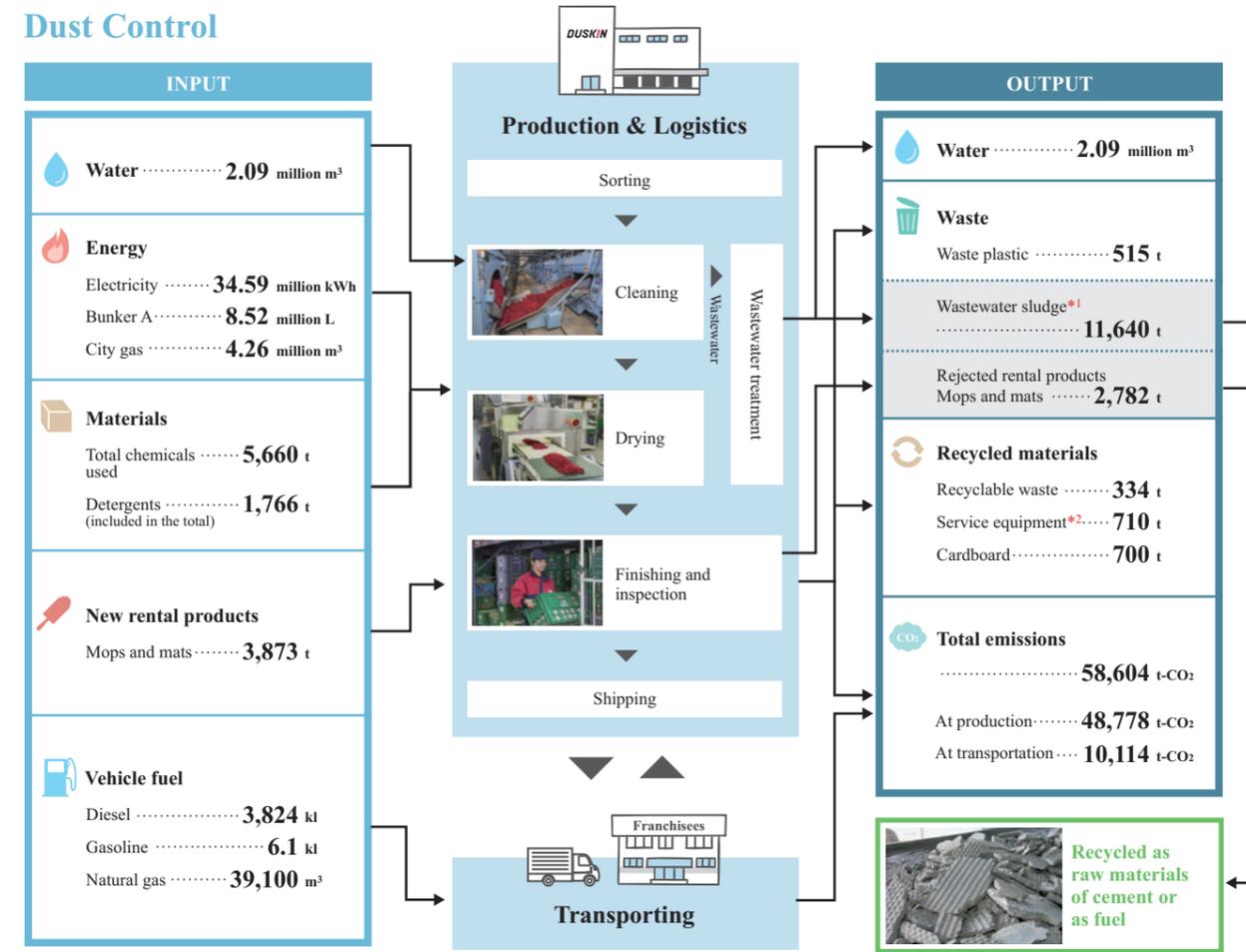
\* The figures reflect a revision to scope of calculation.

Category	Resource conservation initiatives	Units	FY2014	FY2015	FY2016	Change
<b>Production &amp; Logistics facilities (45)</b>						
Electricity use	Enhancing energy conservation, optimizing cooling time, using inverters for various motors	million kWh	29.59	28.38	34.59*	21.9%
CO <sub>2</sub> emission	Developing energy-saving equipment, reducing fuel use by low-temperature cleaning process	t-CO <sub>2</sub>	43,822	42,951	48,778*	12.8%
Fuel efficiency of delivery vehicles	Eco-driving by preventing hard acceleration, stops, and excessive speed	km/l	6.72	6.79	6.74	-0.7%
CO <sub>2</sub> emission of delivery vehicles	Improving transportation efficiency by reviewing delivery routes, load efficiency	t-CO <sub>2</sub>	10,015	10,090	10,114	0.2%
Effectively used water resources	Water outflow at a self-imposed higher standard than laws and regulations, reuse of some processed water for washing	million m <sup>3</sup>	2.07	2.07	2.09	1.0%
Detergent use	Reducing detergent use by specially processed laundry water	t	1,766	1,765	1,766	0.1%
Waste reduction and recycling	Dust on rented products: Cleaned and recycled into wastewater sludge to be used as materials for cement	t	12,081	11,735	11,640	-0.8%
	Rejected mops and mats: Recycled as raw materials of cement or as fuel at a cement company	t	2,625	2,724	2,782	2.1%
	Recyclable waste and service equipment: Disassembled, sorted by material and parts, recycled by recycling company Cardboard: Recycled as used paper	t	2,398	1,997	1,744	-12.7%
Solar power generation system	Number of offices with photovoltaic installations	locations	5	5	9	80.0%
<b>Head Office and affiliated companies</b>						
Electricity use	Room temperature control through the use of Cool-Biz and Warm-Biz, posters promoting energy-saving efforts, change to new energy companies, solar panel installation	million kWh	35.95	39.18	41.93	7.0%
Copy paper use	Purchasing and using products that meet green purchasing guidelines	t	71.0	70.9	73.8	4.1%
Low-emission vehicles	Vehicles that meet green purchasing guidelines	vehicles	2,595	2,638	2,751	4.3%
<b>Mister Donut shops in Japan</b>						
Monthly power use per shop	Changing air conditioners, dishwashers, refrigerators, and freezers to eco-friendly models, changing to LED lighting	kWh	7,963	7,642	7,575	-0.9%
Energy use at all shops		million kWh	125	116	108	-6.9%
City gas use at all shops	Energy management: Controlling the temperature of air conditioners, reviewing lighting arrangements, turning off lights in the backyards when not needed, checking utility meters, and controlling maximum power demand (demand value) by reducing the simultaneous use of equipment.	million m <sup>3</sup>	1.69	1.50	1.32	-12.0%
CO <sub>2</sub> emissions at all shops		t-CO <sub>2</sub>	53,049	49,494	45,583	-7.9%
Water use at all shops		million m <sup>3</sup>	1.59	1.47	1.33	-9.5%
Discarded donuts per month per shop	Reviewing production schedules and executing controls	pcs	6,052	5,771	5,682	-1.5%
Shops recycling leftover donuts into animal feed	Unsold donuts after store closing are reprocessed as feed at processing plants	shops	503	478	456	-4.6%
Recycling of used oil at all shops	Utilized as raw material for feed, boiler fuel, industrial raw materials and liquid detergent	t	407	411	351	-14.6%
Shops recycling used oil	Implemented based on the guidelines	shops	All shops	All shops	All shops	
Promoting LED light use in shops	Using LED lighting for neon signs, in-shop lighting and showcases at new shops and remodeled shops	shops	237	282	319	13.1%
<b>Specified Chain Business Operator by the Energy Saving Act</b>						
Rational use of energy	Crude oil equivalent	kℓ	40,692	38,365	36,145	-5.8%
	Actual CO <sub>2</sub> emissions	t	89,125	82,124	75,024	-8.6%

# Material Balance

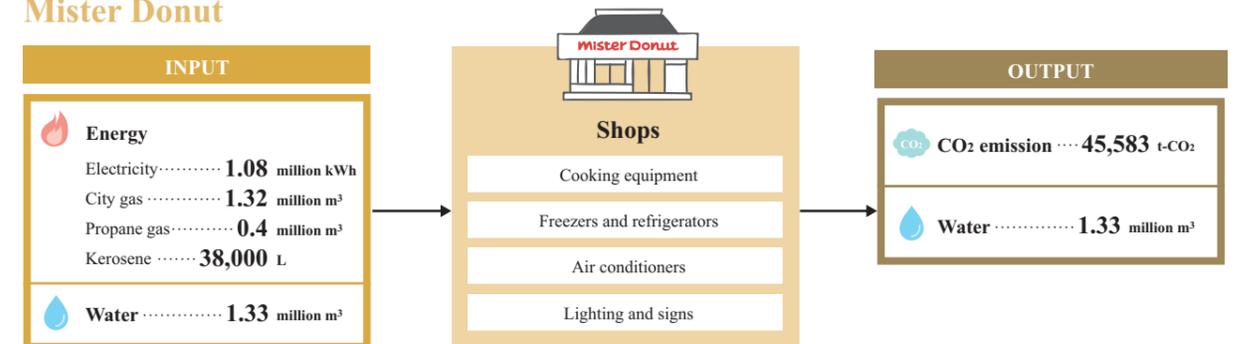
Material Balance refers to the input of energy and resources used in business activities, and the output of substances produced through the activities. Duskin strives to understand the overall environmental loads in the lifecycle of our rental products (through washing, finishing and shipping processes) as well as in other business activities.

## Dust Control



\*1 Sludge: Dust and dirt separated from wastewater and compressed  
\*2 Service equipment: Mop handles, air-purifier main units and water purifier main units

## Mister Donut





## Environment

Eco-friendly activities to bring smiles to future generations

# Efforts for our recycle-oriented society

Duskin established a system for renting cleaning tools in Japan. As reflected in this rental system, Duskin operates its business based on the idea of repeated use, shared use, reduction of needless waste and disposal.

### Contribution to a recycle-oriented society via rental system

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



Rental of cleaning tools



Rental of special event items and daily-use goods



Rental of home health care equipment



#### ▼ The process of making soiled mops clean again



##### Delivery and sorting

Collected mops are sorted by type, color, and size.



##### Cleaning and drying

Washed, rinsed, extracted, treated with absorbent, and then dried with hot air.



##### Checking oil content

Checked by hand for dryness, and tested for oil content using pressure transition testing equipment.



##### Brushing and metal detection

The piles are arranged in an orderly manner, and passed through X-rays and metal detection machines.

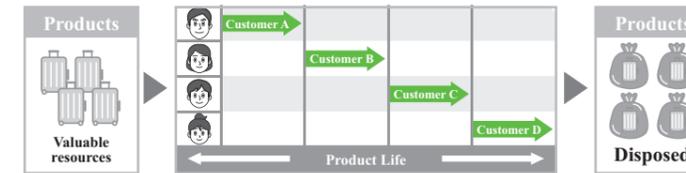


##### Quality check

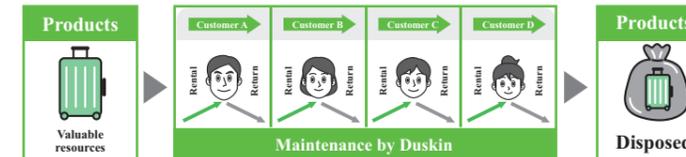
Staff with a license in quality assessment check the quality of the items.

#### ▼ Rental system of Rent-All and Health Rent businesses

If purchased:



If shared through the Duskin rental system:



Baby-related items, home health care equipment, travel and special event items are expensive and usually used only for a limited time. Purchasing these items can lead to wasteful use of resources and add to the responsibilities of disposal of no longer needed items.

“Shared use” makes it possible for customers to use the products only when the customers need them, and at a low cost. Rental products are collected and thoroughly maintained. This rental system helps maximize the product value and reduce needless waste.

#### TOPICS

##### Rent-All

### Waste reduction through renting cribs

Duskin Rent-All rents 45,800 cribs\*1 a year. If all of these cribs were purchased, the natural resources to make 45,800 cribs would be used every year. With the rental system, only 17,300 cribs\*2 are necessary.

“Shared use” of cribs, travel items, and daily use goods will result in saving resources and reducing waste, compared to “everyone buying their own.” Rent-All staff, with their expertise and experience in reducing the environmental impact of many products, advise customers on effective operations for the use of rental products under diverse circumstances and at various events.

\*1 Number of rented cribs from April 2016 to March 2017

\*2 Number of owned cribs

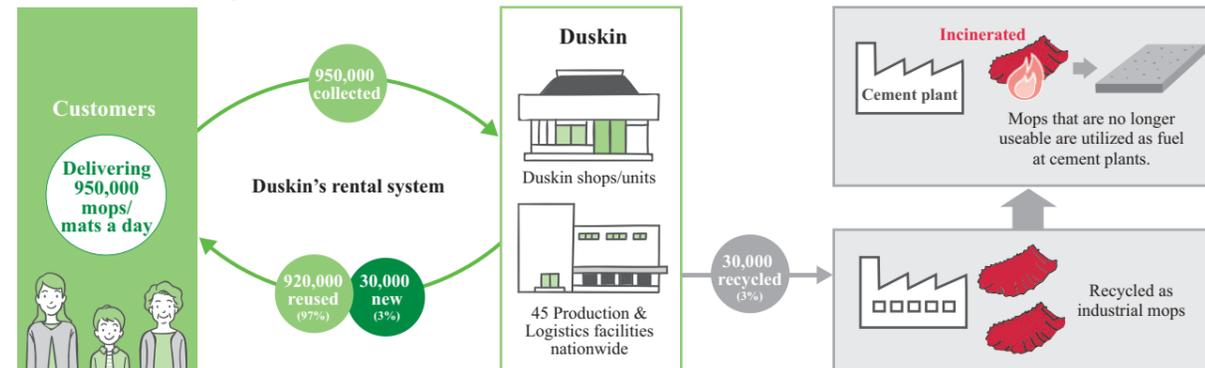
#### ▼ Cribs

If purchased, 45,800 cribs

If rented, 17,300 cribs



#### ▼ Our reuse and recycling system



#### TOPICS

##### Health Rent

### Renting home health care equipment to help create safe and comfortable living conditions for seniors

As people grow older, they gradually become unable to do the things they were once able to do. To relieve their concerns, Duskin offers comprehensive support in their daily life through the rental of home health care equipment.

Common concerns about our service include “What kind of item should I choose?,” “Can I borrow it right away?,” and “Does the item have any quality issues?” Health Rent answers each and every one of these questions with empathy and understanding. We constantly keep up with the latest information about products and senior care in order to offer products that match their physical needs and living conditions. This is proof of our commitment to ensure that seniors can live their lives in greater peace and comfort. By supplying equipment to facilitate user independence and ease of use by care providers, Duskin helps make daily living for seniors more comfortable.





## Environment

Eco-friendly activities to bring smiles to future generations

### Waste reduction at Clean & Care Group

Our Production & Logistics Group reduces waste generation with effective use and reuse of resources. Mops that are no longer useable as products are reused as industrial mops. Recyclable items other than mops and mats are collected by our offices and sent to plants. The items are then sent to recyclers and nearly 100% are recycled. In 2016, a change was made to the coagulant to reduce the amount of sludge in wastewater.

#### ▼ Recycling in FY2016

Waste	Methods	Recycled amount
Dust on rented products: Cleaned and recycled into wastewater sludge	Used as raw material of cement at a cement company	11,640 t
Rejected mops and mats	Used as raw material in cement and fuel at a cement company	2,782 t
Service equipment (mop handles, water purifier main units)	Disassembled, sorted by material and parts and recycled	710 t

### Eco-friendly product development

Duskin promotes eco-friendly initiatives to make effective use of resources when developing its products. Our professionally trained technical service staff respect customers' thoughts and ideas to use things to their fullest usable lives.

#### Mats for commercial use

One of our commercial mats uses recycled polyester made from plastic bottles in the pile materials. While making use of eco-friendly materials, the mat also meets our standards of excellent dust control and water absorption functions required for dust control mats.



Custom-made mat, ecological dust control and water absorption type



#### Mops for commercial use

Duskin recycles precious resources in the production process of its core mop products for commercial use. Unused scraps including short fibers generated during the textile spinning process, which were previously disposed, are now recycled into mop piles. As a result, the mop products have been granted the Eco Mark Certification.



#### Range Hood Filter—Non-woven type

Part of the material of our range food filter uses biomass plastic\* made from corn. This popular, affordable and highly safe filter quickly absorbs grease into its fibers.

\* Biomass plastic is a new plastic material that uses recyclable organic resources from plants as its raw material. It is attracting attention as a 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 being depleted from extensive use.



Range Hood Filter—Non-woven type



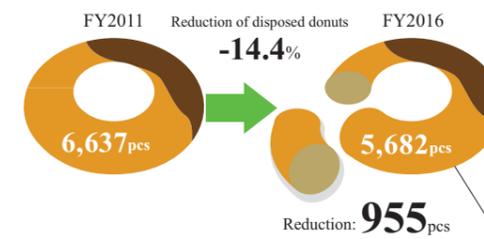
A part of this filter is made from biomass plastic (corn).

### Waste reduction at Food Group

#### Reducing disposed donuts and recycling into raw materials

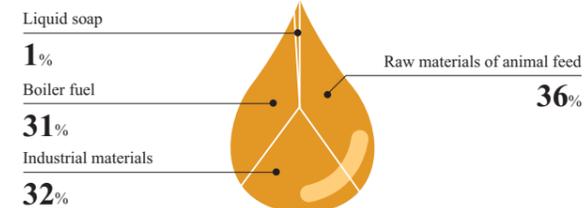
Mister Donut reviews production schedules and executes controls by using a disposal checklist to curtail the maximum desired number of donuts to be discarded. At 456 shops (approx. 38% of the whole system) in Kanto and Tokai areas, unsold donuts are reprocessed in processing plants into feed as part of our recycling efforts.

#### ▼ Discarded donuts per month per shop

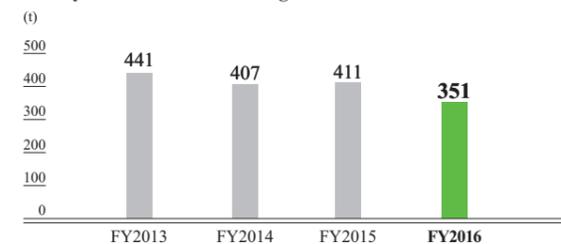


#### Recycling of donut-cooking oil

The used oil is recycled into feed and industrial materials, and re-processed into liquid soap used in our shops. In some areas, it is also utilized as fuel for boilers at our laundry plants where mops and mats are washed.



#### ▼ Recycled amounts of cooking oil



#### Eco-friendly uniforms

Recyclable polyester material is used for Mister Donut uniforms. Using recycling technology by Teijin Frontier Co., Ltd., Mister Donut remakes old uniforms into new fibers, which then can be used repeatedly. The fibers enable us to make uniforms that are semi-permanently recyclable.

#### ▼ Recycling of uniforms



#### Using ceramics and glass tableware

Since 1974, Mister Donut has used ceramic and glass tableware rather than disposable paper containers. We control waste by reducing the use of paper containers. (At shopping mall food courts, however, paper cups are used, since the use of ceramic cups and dishes or glasses is restricted there.)





## Environment

Eco-friendly activities to bring smiles to future generations

# Saving energy and addressing global warming

Through promoting energy-saving efforts across all of our franchise chains, we will continue to steadily push forward to reduce greenhouse gas emissions.

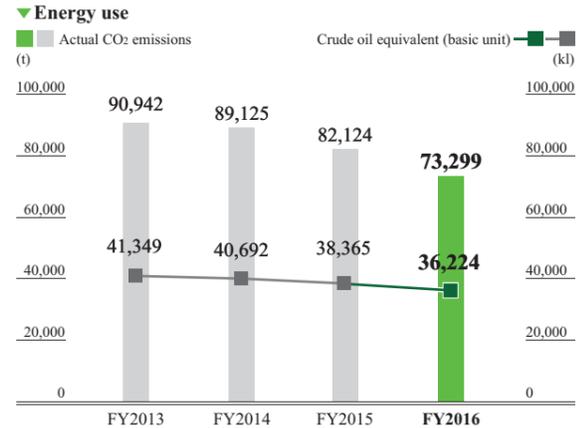
## Energy use

Under the Law Concerning the Rational Use of Energy, Duskin is designated as a Specified Chain Business Operator. Franchisors that meet certain conditions are designated as such. The designated franchisors are required to file a report on the energy use of the franchisors themselves, their affiliated companies and franchisees.

In FY2016, energy use was 36,224kl in crude oil equivalent, down 5.6% from the previous year.

### 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)



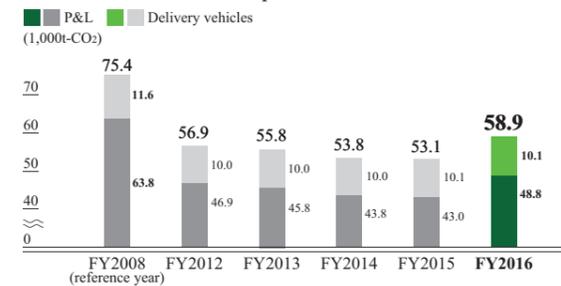
Product & Logistics facilities

## CO2 reduction at Clean & Care Group

### Energy-saving efforts at Production & Logistics facilities

Our Production & Logistics facilities reduce CO2 emissions by introducing power-saving equipment, performing periodic equipment maintenance, streamlining facility operations for energy loss reduction, and saving electricity. Each year, they receive an assurance report on CO2 emissions from an independent third party.

### CO2 emissions/ P&L in Japan \*1 \*2



Reductions from reference year	
CO2 emissions from FY2008	Equivalent to CO2 absorbed by cedar trees
<b>22% reduced</b>	<b>1.19 millions*<!--3</b--></b>

\*1 Scope of calculation was expanded in FY2016.  
 \*2 CO2 emission coefficient of Federation of Electric Power Companies in FY2008 was used to calculate emissions associated with electricity use until FY2015. Starting in FY2016, the latest, actual emission coefficients from each electric power company is used for calculation.  
 \*3 One cedar tree 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)

## Eco-drive reducing CO2 when delivering products

Duskin, where vehicles are essential for the deliveries of our products and services, is conducting the Green Driving Campaign to avoid idling and to prevent hard acceleration, heavy breaking and speeding. As a result, the campaign has helped reduce CO2 emissions.

At Duskin P&L facilities, all vehicles are equipped with Logiccompass, a drive control system. Based on the records stored in the system, outstanding eco-drivers are recognized every year. Study sessions to promote eco-driving are also held regionally.

To further reduce CO2, we strive to improve transportation efficiency by reviewing and optimizing delivery routes.



Eco-driving study session

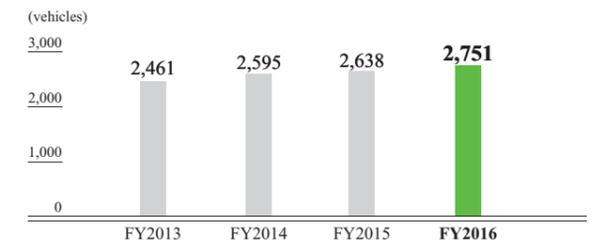
## Introducing low-emission vehicles

Duskin is introducing more eco-friendly vehicles. Setting the standard for the introduction, Duskin works on employing low-emission vehicles as sales vehicles, and hybrid and other eco-conscious vehicles at our head office. By FY2016, 99.7% of vehicles at our Head Office and regional offices had been shifted to hybrid or electricity vehicles.



Eco-friendly vehicle

### Number of low-emission vehicles



## Introducing solar power

Duskin is committed to introducing renewable energy, which is acknowledged as a significant measure to address global warming, resources and energy issues.

Solar energy panels are used for some parts of the 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 installed at the Osaka Central Plant, with 350 panels placed to generate the maximum power output of approximately 100kW.

The equivalent of	Annual power generation:
<b>21 households' power consumption per year*</b>	<b>100,000 kWh</b>

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

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



## Assurance report prepared by an independent third party





## Environment

Eco-friendly activities to bring smiles to future generations

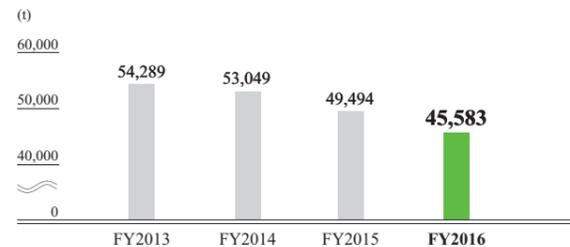
### CO<sub>2</sub> reduction at Food Group

Mister Donut shops and our Food Group shops and restaurants strive to reduce CO<sub>2</sub> emissions while maintaining comfortable spaces for customers.

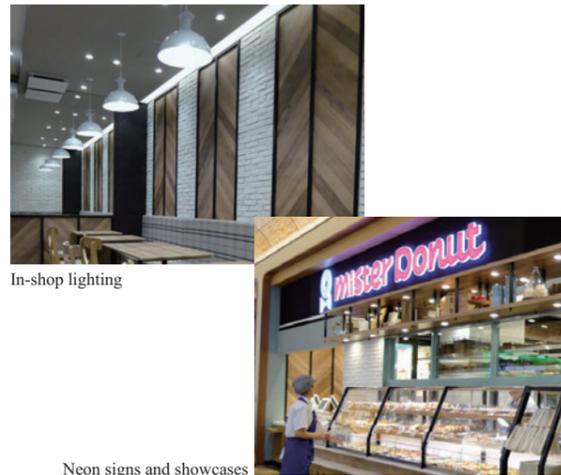
We are working to reduce the burden on the environment by reviewing our daily operations and coming up with creative measures to save energy. These efforts include controlling the temperature of air conditioners, reviewing lighting arrangements, turning off lights in the back of shops when not needed, checking utility meters, and controlling maximum power demand (demand value) by reducing the simultaneous use of equipment.



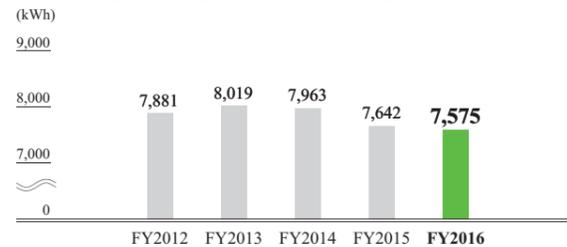
#### ▼ CO<sub>2</sub> emissions at Mister Donut shops



The introduction of energy-saving types of refrigerators and freezers are also being implemented in the shops as standard equipment. Installation of LED lighting has been established as a standard specification for new shops. The lighting is switched to LED lighting whenever we remodel existing shops. Through these efforts, the monthly power use per shop has gradually been reduced.



#### ▼ Monthly power use per Mister Donut shop\*



\* Monthly power use per shop increased from FY2012 to FY2013 because it had returned to normal due to the recovery in power use after the Great East Japan Earthquake. The whole society had refrained from using electricity in the immediate months following the earthquake in 2011.

### TOPICS Saving energy with air-conditioner cleaning

Energy conservation continues to be an important social issue. Energy consumption peaks in the daytime in summer, during which air-conditioning use represents a large share of the total power use. Measures, such as regular cleaning of the filters, are effective in saving electricity. Duskin Service Master professionals are well trained to partially dismantle air conditioners and clean the internal parts. This helps improve air volume and cooling/heating efficiency, and contributes to reducing electricity use.



Air-conditioner cleaning for residential use

## Conservation and effective use of water resources

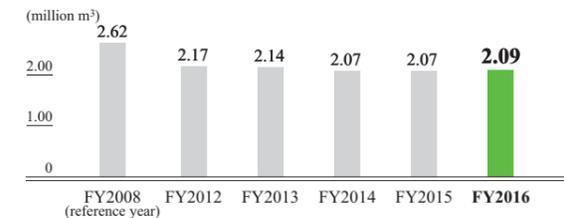
At Duskin, our basic philosophy for conserving water resources is, “Return what we borrow from nature to its original state” which also follows the guidance of our founder. We continue to focus our effort on effective use of water resources and the preservation of quality water.

### Production & Logistics facilities

#### Wastewater control and water use reduction

Large amounts of water are used in the laundry process. Wastewater is treated at our plants under the supervision of an in-house license holder. The water is then discharged under our internal criteria that are stricter than the imposed legal limits. Our facilities also strive to reduce water use by recycling 520,000 m<sup>3</sup> of the 2.61 million m<sup>3</sup> of the treated water for laundry. By these efforts, we have reduced the water use by 20.2% from the reference year.

#### ▼ Water use



Equivalent of  
**2,080** fillings of  
25-meter  
swimming pools\*

Water use  
**20.2%**  
reduction from  
reference year

\* Based on 250 m<sup>3</sup> of water, the amount of water needed to fill a 25-meter pool (25 m x 10 m) up to one meter in depth

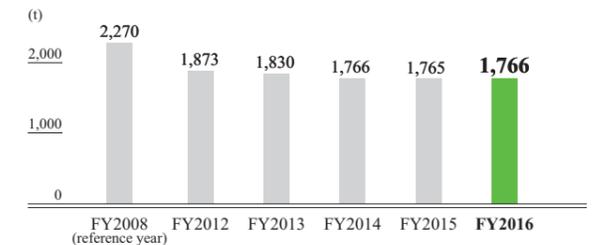
#### Reduction of detergent use

Detergents used at our laundry plants are essential to deliver clean mops and mats to customers. Considering their impact on water, we must use these detergents effectively and in small amounts.

Duskin has been making efforts to reduce detergent use by treating water with water softeners, which makes it easier to dissolve the detergent in water.

Through this effort, the detergent use in FY2016 was 1,766 tons, down 22.2% compared to the reference year.

#### ▼ Detergent use\*



\* Calculated by Duskin

Detergent use in FY2016  
**1,766** tons

Detergent use  
**22.2%**  
reduction from  
reference year

### TOPICS Conserving biodiversity of our national park with Duskin mats

Hakusan national park, which spreads over Toyama, Ishikawa, Fukui and Gifu prefectures, needs to preserve its native ecosystem, a rich yet fragile environment of alpine plants.

Recently, the seeds of exotic plants, such as plantains, have been carried in on the soles of hikers' shoes and have invaded the habitats of alpine plants, adversely affecting these precious ecosystems.

To prevent these seeds from being carried further, we have introduced our durable Duskin mats, excellent in collecting earth and sand. At the beginning of the climbing season, the mats are placed on the trails to collect the seeds on the soles of shoes. Duskin provides a total of 47 mats which are placed at 18 trails and trail entrances, contributing to the conservation of the ecosystems.

#### ▼ Use of Duskin mats to prevent exotic plants invasion (image)



Photo courtesy of Association for Conservation of Circum Hakusan Area



## Directors and Audit & Supervisory Board



### Teruji Yamamura

(Date of birth: January 28, 1957)

President & CEO

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

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



### Akihisa Tsurumi

(Date of birth: September 26, 1953)

Senior Executive Director

Apr. 2017 Senior Executive Director (to the present)  
President's Office, Human Resources, Public Relations, Information  
System  
June 2016 Senior Executive Director  
President's Office, Human Resources, General Affairs, Public  
Relations, Information System  
June 2015 Senior Executive Director  
Human Resources, General Affairs, Accounting, Information System,  
Quality Assurance & Risk Management, Product Inspection Center,  
Production & Logistics Group  
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

Apr. 2017 Executive Director (to the present)  
International, ServiceMaster, Terminix, Merry Maids, Total Green,  
Home Repair  
June 2015 Executive Director  
General Manager, Clean & Care Development Group  
Apr. 2010 Director  
Corporate Planning, Overseas Business Development,  
New Business Development  
June 2008 Director  
Manager, Overseas Business Development  
Chairman & CEO, Duskin Hong Kong Co., Ltd.  
Apr. 1980 Joined the Company



### Junichi Narahara

(Date of birth: February 20, 1958)

Director

Apr. 2017 Director (to the present)  
Clean & Care Sales Group,  
Clean Service Development Group,  
Corporate Account  
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

Apr. 2017 Director (to the present)  
Legal Affairs & Corporate Compliance, Quality Assurance & Risk  
Management, New Business Development, Product Inspection Center  
June 2016 Director, Legal Affairs & Corporate Compliance, Quality Assurance &  
Risk Management, 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

## Members (as of June 22, 2017)



### Kazushi Sumimoto

(Date of birth: November 29, 1960)

Director

Apr. 2017 Director (to the present)  
Corporate Planning, Production & Logistics Group  
May 2016 Director, Corporate Planning, Life Care Development Group,  
Rent-All, Uniform Service, Health & Beauty  
June 2014 Director, Home Instead  
Division Manager, Rent-All  
Apr. 1983 Joined the Company



### Hideyuki Naito

(Date of birth: December 3, 1961)

Director

Apr. 2017 Director (to the present)  
General Affairs, Accounting, Corporate Management  
June 2016 Director, Corporate Management  
Manager, Accounting  
Apr. 2012 Manager, Accounting  
Nov. 2007 Manager, Auditing  
Apr. 1982 Joined the Company



### Taku Suzuki

(Date of birth: October 8, 1965)

Director

Apr. 2017 Director (to the present)  
Life Care Development, Rent-All,  
Uniform Service, Health & Beauty  
June 2016 Director, Product Inspection Center  
General Manager, Production & Logistics Group  
May 2012 General Manager, Production & Logistics Group  
Oct. 2009 Regional Manager, Shikoku Area, Clean Service Business Group  
Apr. 1989 Joined the Company



### Tadashi Yamamoto

(Date of birth: November 14, 1952)

Director

Outside Independent

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



### Junko Katada

(Date of birth: February 21, 1963)

Director

Outside Independent

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



### Tomoya Yoshizumi

(Date of birth: June 10, 1953)

Director

Outside Independent

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



### Yasuto Shigeyoshi

(Date of birth: November 27, 1957)

Audit & Supervisory Board Member

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



### Takashi Yoshida

(Date of birth: November 25, 1961)

Audit & Supervisory Board Member

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



### Takaaki Oda

(Date of birth: May 31, 1962)

Audit & Supervisory Board Member

Outside Independent

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

(Significant concurrent positions)  
None



### Sachiko Kawanishi

(Date of birth: January 22, 1959)

Audit & Supervisory Board Member

Outside Independent

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

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



### Kyoichiro Arakawa

(Date of birth: February 23, 1970)

Audit & Supervisory Board Member

Outside Independent

- 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.

# 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. In addition to 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 for sound and highly-transparent management.

We also place compliance in the center of all our corporate activities in order to continuously improve our corporate value.

## Corporate governance structure

Duskin is a company with the Audit & Supervisory Board system. Outside Audit & Supervisory Board Members who are independent of Duskin and therefore capable of objectively conducting audits, monitor and audit the directors' performance. The full-time Audit & Supervisory Board Members are well acquainted with our business operations and have the skills needed to gather information. This structure supports customer-oriented management and ensures sound and efficient business execution. This system enables us to swiftly and precisely respond to changes in the business environment.

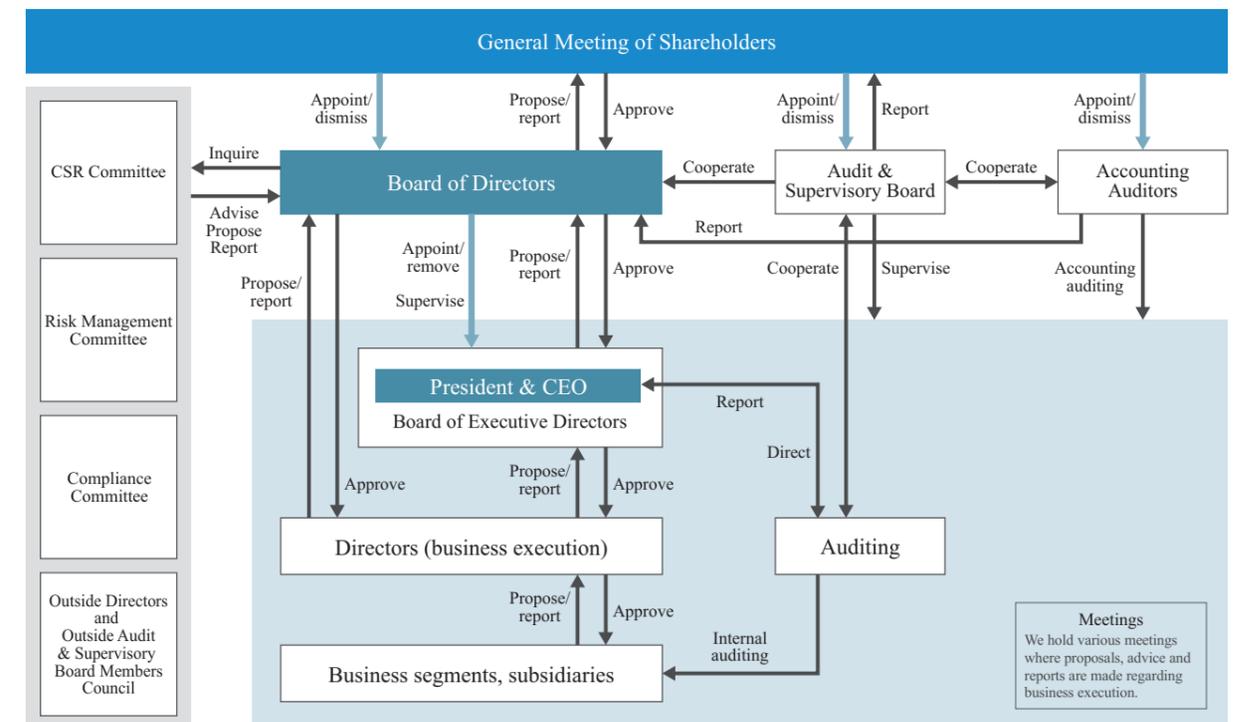
## Board of Directors

The Board of Directors of Duskin meets at least once every month with the President & CEO presiding as Chairman. This body supervises the execution of business operations and makes decisions on important matters concerning the management

of the Duskin Group. The directors are selected by taking into consideration of the diversity of the board as a whole in terms of abilities, experience, gender and other characteristics. This is for the purpose of enabling the board to make accurate management decisions in a wide range of business fields while maintaining the soundness, efficiency and effectiveness of Duskin's management. The number of Directors is limited to 15. Internal Directors are selected from individuals who meet the requirements of our Management Philosophy, Code of Conduct and medium-to-long-term growth strategies. Outside Directors are business executives and experts who are judged to be highly-independent and free of any real vested interest in Duskin, after taking into account the diversity of views, knowledge and management experience.

As we place an emphasis on making management decisions swiftly and precisely to respond to changes in our business environment, the Board of Directors has nine Internal Directors who have extensive knowledge about the Group's businesses, and three Outside Directors (all independent).

### Corporate Governance Structure



Meetings  
We hold various meetings where proposals, advice and reports are made regarding business execution.



### Audit & Supervisory Board

Including the three Outside Audit & Supervisory Board Members (one woman), who are independent of Duskin, the Audit & Supervisory Board has five members (as of June 22, 2017). These individuals are responsible for auditing the important decision-making processes of the Duskin Group, as well as the status of business execution.

Audit & Supervisory Board members attend meetings of the Board of Directors and other key meetings, where they share their professional opinions. They also hold meetings once every month to discuss decisions on audit policies and 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 effective checks on legal, financial and accounting aspects of our business operations.

### Roles and composition of other meeting bodies

#### Outside Directors and Audit & Supervisory Board Members Council

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

During FY2016, the council held nine meetings and made recommendations for medium-and long-term growth of corporate value.

#### Compliance Committee

Duskin Group has a Compliance Committee in place as an advisory council for the Board of Directors for the purpose of establishing, disseminating and implementing a compliance framework.

During FY2016, the committee held four meetings to discuss compliance structures, regulations, annual plans, training programs and internal reporting systems, and made reports to the Board of Directors.

#### Risk Management Committee

Duskin has a Risk Management Committee, as an advisory council for the Board of Directors. Its purpose is to establish risk management policies by assessing any possible risks that the Duskin Group may encounter, and thereby to avoid these problems or minimize the damage if a problem occurs. The committee held two meetings in FY2016 to discuss its risk management annual plan, causes and measures for risk factors, business continuity plans (BCP), and potential risks and audit results and submitted reports to the Board of Directors.

#### CSR Committee

The CSR Committee was established as a new advisory council for the Board of Directors in FY2017. Its purpose is to review the priority initiatives and boundaries for the company's CSR activities and to determine the themes for appropriate CSR activities.

The committee is scheduled to meet twice a year to discuss and review the CSR basic policy for medium-term and annual CSR activities, and future initiatives, and submit points for discussion to the Board of Directors.

#### Executive Board

The Executive Board meets once or more every month to examine important business matters so that the President & CEO can conduct business operations based on the basic management policy that was established by the Board of Directors.

The Executive Board also discusses important management issues and shares its directions.

#### Budget Meeting

The Budget Meeting monitors progress involving the budgets of business divisions by discussing measures and sharing information once a month.

### Evaluation of effectiveness of the Board of the Directors

Duskin uses a questionnaire to perform self-evaluations of the composition of its board of directors, the support structure for Directors and Audit & Supervisory Board Members, their relationships with investors and shareholders, and their own initiatives. Every Director and Audit & Supervisory Board Member received a questionnaire. A third party expert collected answers from these questionnaires. Based on the results, the Outside Directors and Audit & Supervisory Board Members Council analyzed and evaluated the initiatives of the Board of Directors from many standpoints and made recommendations to the Board of Directors. The Board of Directors examined their recommendations and the initiatives to undertake during FY2017 in order to improve effectiveness of the Board.

#### Results of analysis and evaluation of the effectiveness of the Board of Directors

The Board of the Directors confirmed that both internal and outside directors participated in thorough discussions and that decisions were based on these discussions. Therefore, the Board of Directors concluded that the Board is sufficiently effective and that there are initiatives to further improve the effectiveness. The Board of Directors also confirmed that new initiatives to improve the effectiveness had been undertaken. Included in these initiatives are Directors' evaluation assessments, procedures for the appointment or removal of Directors, and measures to improve the transparency and objectivity of processes. For matters that are difficult to determine, the Board reviewed a decision-making process where matters are only discussed first at a Board meeting and a decision is made at a following Board meeting. This allows the Board to reach conclusions after thorough discussions based on organized and focused points. The Board also shares information needed for the discussions, including explanations to outside directors prior to the meetings. The objectives of these measures are to enhance the quality of discussion and set times for deliberations.

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

To ensure the independence of an Outside Director or Outside Audit & Supervisory Board Member, Duskin established its own standards based on the independence standards of the Securities Listing Regulations Enforcement Rules of the Tokyo Stock Exchange.

When selecting Outside Director and Outside Audit & Supervisory Board Member candidates, Duskin confirms that candidates comply with all items of the standards. 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 to select the candidates.

Note: Standards for independence of Outside Directors and Outside Audit & Supervisory Board Members are specified in our Annual Securities Report.

### Reasons for appointment of Outside Directors

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

### Policy on remuneration for Directors

The compensation of the Duskin's Directors consists of basic compensation and a bonus within the amount of remuneration

for Directors approved at the General Shareholders' Meeting. Then, our current standards are compared with those at other companies of a similar size, industry category and business type, using a directors' compensation survey data from an external research institution. A certain percentage of the amount of the base salary for all directors is used as a performance-based compensation resource and reallocated to the base salary and bonus for each director according to each one's contribution (results of the businesses overseen, competence and actions concerning our Management Philosophy) based on evaluations by the Directors Evaluation and Nomination system. The President & CEO, who has authority granted by the Board of Directors, determines the remuneration for each Director (excluding Outside Directors) in accordance with certain standards established by Duskin, after considering the advice from the Directors Evaluation Committee (with a majority comprised of Independent Directors and chaired by an Outside Director).

The base salary is determined in accordance with the responsibilities and rank of each Director. The amount will fluctuate within a certain range based on the degree of contribution of the Director as assessed by the Directors Evaluation and Nomination system.

For bonuses, based on the amount of profit attributable to owners of parent, an upper limit of the funds for the bonuses of all Directors is determined, with the amount distributed to each Director determined in accordance with the degree of

#### Directors' remuneration (FY2017)

Position	Total remuneration (in thousands of yen)	Types of remuneration (in thousands of yen)		Number of directors
		Basic compensation	Bonus	
Directors (excl. Outside Directors)	279,600	256,500	23,100	10
Auditory & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	48,000	43,800	4,200	2
Outside Directors (Outside Audit & Supervisory Board Members)	50,850	42,150	8,700	7

#### Reasons for appointment of Outside Directors

Name	Reasons for appointment
Tadashi Yamamoto	Mr. Yamamoto has a great deal of experience and knowledge in corporate management as a Director and Senior Managing Corporate Officer at Wacoal Corporation. His recommendations and suggestions based on his rich expertise in human resources planning and international operations and planning and his objective and extensive viewpoints are expected to improve Duskin's corporate governance. Since Mr. Yamamoto has no real vested interest in the company, he is judged to be highly-independent and not to have any conflict with general shareholders. Therefore, he is designated as an Independent Director.
Junko Katada	Ms. Junko Katada has extensive knowledge of consumer issues. Her recommendations and suggestions for service and product development processes from consumers' perspectives are expected to enhance Duskin's corporate governance. Since Ms. Katada has no real vested interest in the company, she is judged to be highly-independent and not to have any conflict with general shareholders. Therefore, she is designated as an Independent Director.
Tomoya Yoshizumi	Mr. Yoshizumi has a great deal of experience and knowledge in corporate management as a Member of the Board and Corporate Vice President at Ajinomoto Co., Inc. At Ajinomoto, he was engaged in strategic production planning, the Medium-Term Management Plan and implementing M&A strategies for the Ajinomoto Group. For four years from 2011, he supervised business operations in North America as General Manager, North America Division and President of AJINOMOTO NORTH AMERICA, INC. Mr. Yoshizumi is expected to improve corporate governance by providing advice and supervision regarding management from an objective standpoint independent of the executives who conduct Duskin's business operations. Therefore, Mr. Yoshizumi was newly elected as an Outside Director. Since Mr. Yoshizumi has no real vested interest in the Company, he is judged to be highly-independent and not to have any conflict with general shareholders. Therefore, he is designated as an Independent Director.



contribution assessed by the Directors Evaluation and Nomination system.

Based on the resolution approved at the 55th Annual General Shareholders' Meeting held on June 22, 2017, share-based-remuneration-type stock options were established as a part of Directors' remuneration. With the aim of further raising motivation to achieve sustainable growth and enhance corporate value by sharing risks and benefits of fluctuations in stock prices with shareholders, stock option rights are granted to Directors (excluding Outside Directors) in lieu of a part of base compensation up to the limit of 50 million yen per annum. For Outside Directors, after taking into account their backgrounds, an amount is established for both base salary and bonuses.

### Training for Directors

Duskin provides training opportunities for Directors and Audit & Supervisory Board Members to participate in programs held by third-party expert institutions. Newly appointed Directors and Audit & Supervisory Board Members participate in lectures and seminars on Directors' legal duties and responsibilities. For Outside Directors and Outside Audit & Supervisory Board Members, the President & CEO explains Duskin's Management Philosophy. Duskin also provides them with opportunities to visit its major offices, branches, training facilities and comprehensive plants to help them deepen their knowledge

of business operations.

### Successor development plan

Duskin provides opportunities to individuals who have the potential to succeed the Company's management, by appointing them as business division managers or regional managers at an early stage of their careers. This enables these individuals to acquire the knowledge and experiences to make management decisions from the standpoint of customers.

Also, these individuals have opportunities to participate in the meetings of the Board of Directors and learn the processes for making final management decisions. Through interactive communication with the President & CEO, they are encouraged to deepen their understanding of the Management Philosophy, management strategies and business plans. By providing opportunities to acquire overall knowledge about the company's management, we plan to develop the next generation of executives.

### Internal control system

#### Basic policy on business operation

The Duskin corporate group places the pursuit of the "Unison of Economy and Morals" at the heart of our business management. We have formulated the following Code of Conduct Statement

to serve as a compass for the realization of our Management Philosophy as well as the Code of Conduct that serves as concrete standards of conduct for our business operations.

### Systems for ensuring suitability of business operations

The following internal control systems are established in order to ensure that the activities of the Directors comply with laws, ordinances and the Articles of Incorporation, and to ensure the suitability of business operations of the Duskin corporate group, including subsidiaries and affiliates. More information is in the corporate governance report.

#### Internal control systems

- System to ensure that the activities of Directors and employees of the Duskin corporate group conform to laws, ordinances and our Articles of Incorporation
- System for the storage and management of information regarding the execution of duties by Directors of the Duskin corporate group
- Regulations and systems relating to managing the risk of loss of the Duskin corporate group
- System to ensure the efficiency of Directors of Duskin corporate group in the execution of their duties
- System to ensure the suitability of the business operations of Duskin corporate group
- System to ensure the reliability of financial reports
- System relating to support staff assisting the Audit & Supervisory Board Members, matters relating to the independence of the relevant employees from the Directors, and matters related to ensuring the effectiveness of instructions given to the relevant employees
- System for reports to the Audit & Supervisory Board Members from Directors, Audit & Supervisory Board Members, employees of the Duskin corporate group or individuals who have received a report from those Directors, Audit & Supervisory Board Members or employees
- Other systems to ensure that the audits by the Audit & Supervisory Board Members are conducted effectively

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

### Basic capital policies

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

#### Improving capital efficiency

By preferentially allocating internal reserves to growth investments 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.

#### Maintaining a solid financial base

We will enhance the ability of our existing businesses to generate steady cash flows, thereby enabling continuous growth investments. We maintain the solid financial base we have established by placing a high priority on financial soundness. In the event of an unexpected need, we procure funds in financial and capital markets by a method selected from among various means available under conditions advantageous to Duskin.

#### Ensuring shareholder returns

We flexibly purchase treasury shares in a manner that reflects the market environment and cash flows with the aim of maintaining stable dividend payments and increasing shareholder value and ROE.

### Shareholder special benefit

In appreciation of our shareholders' support, we have a shareholder special benefit plan. 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 the Duskin Group and to better understand the scope of our businesses. 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.

## Code of Conduct Statement

Aiming to be a "trustworthy and reliable company"

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



#### 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 society

- 1 Act in accordance with the law and social commonsense
- 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

##### 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 powerful management foundation and ensure sustained growth
- 4 Conform to insider trading regulations
- 5 Use company assets appropriately

##### 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 Maintain proper relationships with suppliers
- 6 Respect international rules and adhere to local laws and ordinances

##### With respect to our members of the Duskin Group and franchisees

- 1 Maintain 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 Promptly submit reports to superiors
- 9 Preserve the workplace environment
- 10 Keep our work and private life separate
- 11 Eliminate harassment



▼ 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)

### Constructive dialogue with shareholders

#### Basic policy

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

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

#### System for IR and SR activities

At Duskin, a Director in charge of IR and SR is appointed, and the Chief of IR Section, Corporate Management Department is in charge of IR administration. Under their supervision, the IR Section conducts IR and SR activities.

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

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

#### Dialogues with institutional investors and analysts (including shareholders)

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

Individual meetings with institutional investors and analysts are held as requested. In addition, tours of our plants and training facilities are conducted as requested.

#### Dialogues with individual investors (including shareholders)

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

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

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

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



Presentation at IR briefing for individual investors sponsored by Daiwa Investor Relations Co. Ltd.



Duskin Investors' Note NAVI-DUS

▼ Activities conducted in FY2016

Company briefings	12
Participation in IR-related events	Nikkei IR Investment Fair 2016
Fan Meetings	12/ 752 participants

## Risk Management

The Duskin corporate group is developing a proactive approach to risk management by assessing any possible risks that the Duskin corporate group may encounter, in order to avoid these problems or minimize the damage if a problem occurs.

### Risk management structure

Duskin has formulated Basic Rules on Risk Management that stipulate how risk is to be managed in the Duskin corporate group. Under these Rules, a risk management department is established and a supervisor of the department is appointed. We control risk in the Duskin corporate group in a consolidated, comprehensive manner. To ensure compliance with the Basic Rules and to preside over the operation and administration of risk management, a secretariat office is established under the Risk Management section of the Quality Assurance and Risk Management Department.

The Risk Management Committee, chaired by the Director supervising Quality Assurance and Risk Management Department, meets regularly as an advisory body to the Board of Directors. The Committee administers instructions and guidance on risk management in the Duskin corporate group. At our subsidiaries, we conduct risk management through the risk management supervisor who we have named at each company in accordance with its size, business operations, and other factors. When a problem occurs at those subsidiaries, the risk management supervisor works in concert with the risk management departments at Duskin to implement countermeasures.

[Reference](#) Risk Management Committee (P89)

### Risk assessment

Each department identifies the risks that are specific to its responsibilities and analyzes their significance. Then, response measures for each presumed risk factor are formulated and implemented. Every year, each department identifies new possible risks based on revisions of laws and regulations, case studies at other companies and any crisis that occurred at Duskin. Each department formulates and implements response measures for every presumed risk factor.

Quality Assurance and Risk Management personnel visit each department and business site to verify and evaluate the implementation of those countermeasures and review both the risk assessment and countermeasures based on the results of that evaluation.

### Crisis situation framework

When damage results from a crisis or natural disaster or an earthquake with an intensity of at least 5-upper occurs, the risk management supervisors for each function at the Duskin Group gather information and submits a report to Quality Assurance and Risk Management. Even if damage was caused by an earthquake with an intensity of less than 5, these supervisors immediately gather information.

If there is a significant natural disaster, the President & CEO

decides whether or not to establish a response office, and names a general manager in charge of that office depending on that decision. In cases of a risk that will significantly impact the Duskin corporate group, the chairperson of the Risk Management Committee decides whether or not to establish a response office, and names a general manager of the response office.

Following the Kumamoto earthquakes in FY2016, an on-site response office was established immediately. Recovery efforts were conducted under the leadership of the general manager of the on-site response office named by the President & CEO. Based on the lessons learned from response measures for the Kumamoto earthquakes, we have revised the natural disaster response manuals.



### Information security

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

With regard to the handling of personal information, we set forth a Personal Information Protection Policy and make efforts to ensure that all of our employees are aware of this policy and enforce it. We have established a management framework with a supervisor at each department responsible for personal information protection. The framework is compliant with the requirements of personal information protection management systems, and we strictly administer rules on the management of this information.



## Business risk

The following section provides an overview of the principal risk factors envisaged by the Duskin Group related to its business activities. The Duskin Group works to fully identify these potential risks and takes all steps to prevent these problems and to prepare responses.

These risks do not include all the risks that Duskin could encounter in the course of its business operation. All of these risks could affect investors' investment decisions.

### Business model (franchising)

#### Relationship with franchisees

Many of Duskin's businesses are franchised. As a franchisor, Duskin provides its franchisees with management guidance, business system, know-how, products, equipment and literature needed for the business operation. Franchisees provide customers with products and services designated by Duskin. With an aim to increase sales and income at Duskin Group and its franchisees, Duskin Group develops and introduces new products and services, as well as plans and implements various policies, including new shop openings and renovations of existing stores. In order to implement these policies and plans, there are cases where we need franchisees' understanding, cooperation and shared funding. If franchisees do not agree, these plans could be discontinued or delayed. In the event disputes arise with franchisees, franchisees may terminate the franchise agreement and leave the Duskin Group, or start a lawsuit. Franchisees' legal violations or misconduct may affect Duskin Group's business operations and results.

#### Legal restrictions

With regard to its shop development through franchising, Duskin Group is subject to the Small and Medium-sized Retail Business Promotion Act, Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act), Guidelines Concerning the Franchise System under the Antimonopoly Act (Fair Trade Commission, April 24, 2002) and other laws. Revisions of these laws and regulations and enforcement of new laws and regulations could impact Duskin Group's businesses and operating results.

### Clean & Care Group

#### Business climate

Clean & Care Group provides cleaning and cleanliness related products, with its mainstay of dust control businesses renting mops and walk-off mats. Clean & Care Group also provides cleaning-related technical services (Care Service), including house cleaning, housekeeping, pest control and prevention, lawn and plant maintenance services. These products and services are designed and provided to both residential and commercial markets.

The market size of dust control business is estimated to decline in both markets. This decline is mainly due to the decreasing

number of women staying at home arising from the advance of women's role in society, the growing popularity of disposable products in the residential market, and the decreasing number of commercial establishments and companies' cost reduction initiatives in the commercial market. However, Care Service expects market expansion in both the residential and commercial markets due to growing outsourcing needs.

The Duskin Group continues to focus on product development, expanding sales channels and offering multiple options of payment. Care Service plans to expand its businesses by recruiting new franchisees.

The Duskin Group and its franchisees provide senior care services (Home Instead business). Expecting the market to grow due to the increasing senior population, the Duskin Group plans to recruit new franchisees and expand this business. Market trends, competition and changes in customer needs for each business could impact Duskin Group's business and operating results.

#### Environmental conservation

Dust control products are rented several times, after going through washing and treating process. A large amount of water and chemicals are used for the washing process. The Duskin Group and the outsourced plants take actions aimed at lowering the negative impact on environment by reducing the amount of chemicals and recycling laundry water. The Duskin Group's business and operating results could be impacted by any events or issues violating the Water Pollution Prevention Act and other laws and regulations at the Duskin Group or outsourced plants, or regulatory tightening involving environmental conservation.

Reuse of products rented to an area with an infectious disease outbreak could be taken as a source of secondary infection and our business operations may be affected by negative rumors.

#### Product safety

The Duskin Group rents or sells cleaning equipment, cabinet towels, toiletry products, natural water and beverages, home-use electric appliances, cosmetics and health food after ensuring their safety. If any quality problem involving these products occurs, claims for damages to the Duskin Group and adverse effects on the credibility of the Duskin Group may impact the Duskin Group's business and operating results.

#### Manufacturers of specific products

New mops are manufactured at our subsidiary, Wakura Duskin Co., Ltd. because of the manufacturing technologies required and to reduce the cost of producing mops. Our custom-made mats (mats designed for specific customers) are manufactured at our subsidiary, Ono Duskin Co., Ltd. because of the manufacturing technology required. Since these two products are each manufactured by a single company, the inability of a company to manufacture products due to a natural disaster or other crisis could affect the Duskin Group's businesses and operating results.

#### Legal restrictions

Our businesses in residential and commercial markets are subject to the Act on Specified Commercial Transactions, Law on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices (Pharmaceutical and Medical Device Act), Cleaning Business Law, Act against Unjustifiable Premiums and Misleading Representations, and Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. In accordance with the Antimonopoly Act, Dust Control business is a specific business field recognized as corresponding to domestic total supply value requirements and market share requirements of monopolistic situations by the Fair Trade Commission. Care Service businesses are subject to the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof and other laws. Revisions of these laws and regulations, enforcement of new laws and regulations, and administrative guidance issued due to a violation of these laws could affect Duskin Group's businesses and operating results.

#### Service provision

The majority of the users of our Home Instead business are seniors. Unexpected accidents could occur as the service is provided. The Duskin Group takes proactive measures for accident prevention, emergency responses, training to improve employees' skills, and producing manuals. If an accident occurs during the service and liability for such accident is claimed, Duskin Group's businesses and operating results could be affected.

#### Service quality

Care Service businesses send people from the Duskin Group's or franchisees' offices to customers' residences or business locations to provide the services. Since service personnel are required to have a certain level of technical skills, the Duskin Group has training and license programs to maintain a consistent level of service quality. Trained staff use the equipment required for the service provision, after checking and confirming safety. If a defect in the service provided by an individual or some other problems with the service equipment results in damage to a customer's health, liability for the damage may be claimed and the Duskin Group's credibility could deteriorate as a result. This could impact the Duskin Group's operating results. The Duskin Group may become unable to recruit a sufficient number of qualified individuals with the required level of technical skills. The Duskin Group may face an increase in expenses to maintain a team of service personnel and to properly treat waste after the service. These could impact the Duskin Group's businesses and operating results.

### Food Group

#### Business climate

The Mister Donut business, the core of Food Group provides donuts and other items, operating multiple stores through the Duskin Group and its franchisees. The Duskin Group plans to expand its businesses with initiatives for new shop openings at shopping malls, renovations and relocations of existing stores to meet changing customer needs, value-added menu development to cover the needs at different times of the day, and growth in Asian markets. Market trends, competition, changes of consumers' taste and preferences, and an increase in the cost of raw materials could impact Duskin Group's businesses and operating results.

#### Food safety

In response to growing social needs for food safety, Duskin established a structure and programs to ensure food safety. Included in these efforts are the development of sanitary management guides and self-conducted regular inspections in cooperation with third party expert institutions.

In the event of food poisoning at Duskin Group's or its franchisees' stores/restaurants, or a violation of laws and regulations such as the Food Sanitation Act, expenses for liabilities for damage could be incurred and part of or all of the stores/restaurants could be ordered to suspend operations. These could adversely affect the credibility of the Duskin Group, and impact the Duskin Group's businesses and operating results.

#### Safety of goods

Mister Donut sells original goods after confirming their safety. Any problems involving the quality of these goods could cause the Duskin Group's credibility to deteriorate and impact the Duskin Group's businesses and operating results.

#### Suppliers of specific products

Mister Donut procures its flour from a single supplier, Nippon Flour Mills Co., Ltd. to protect the donut mix formula (mixing ratio) from information leaks. This enables Duskin to procure flour with consistent quality at a fair price linked to the market. However, changes in terms of transactions with Nippon Flour Mills could impact the Duskin Group's businesses and operating results.

#### Legal restrictions

Food Group businesses are subject to the Food Sanitation Act, Act against Unjustifiable Premiums and Misleading Representations and Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. Revisions of these laws and regulations, enforcement of new laws and regulations, and administrative guidance issued due to a violation of these laws could affect Duskin Group's businesses and operating results.



### Personal information

The Duskin Group and its franchisees acquire and use customers' personal information in the course of business operations. The Duskin Group has established and operates a personal information management structure. Within this system, the Duskin Group has personal information protection rules, implements training for Directors and employees, holds seminars for franchisees, and implements IT security measures. However, unauthorized access from outside could cause significant damages such as the leakage of personal information. A problem of this type could cause claims for damages, the deterioration of the Duskin Group's credibility, and impact Duskin Group's businesses and operating results.

### Natural disasters

To minimize any impact of natural disasters, including earthquakes, typhoons and flooding, the Duskin Group developed safety confirmation systems, natural disaster response manuals and business continuity plans. Disaster drills and safety confirmation drills are regularly conducted. However, all risks of natural disasters cannot be avoided. A large scale disaster could damage facilities and equipment, cause death or injuries to staff members and business operations could be suspended in the devastated areas.

### Retirement benefit obligations and expenses

Retirement benefit obligations and expenses are calculated based on pre-established figures determined by the discount rate and expected rate of return on pension assets. These pre-established figures are believed to be appropriate, but may vary to a substantial degree depending on the operating environment for the pension assets and market interest rates. Changes of pre-established figures could impact the Duskin Group's financial position and operating results.

### Securing and development of human resources

We believe the quality of service depends on the people who provide the service. We have various education and training programs to develop skills of our people. The Duskin Group strategically recruits talented human resources by hiring a consistent number of new graduates and by recruiting mid-career professionals with expertise. If the Duskin Group cannot acquire or loses talented people, the Group's businesses and operating results may be adversely affected.

### Overseas businesses

The Duskin Group operates Dust Control and Mister Donut businesses in Asian markets. In these markets, the Duskin Group may face political and economic barriers, terrorism and labor disputes. Enforcement of new laws and regulations and revisions to laws and regulations could prevent us from carrying out our business activities as anticipated. For such barriers in the overseas market, Duskin Group takes measures for avoiding individual risks. However, it is difficult to completely avoid these risks. The occurrence of associated problems may affect the Duskin Group's businesses and operating results.

# Compliance

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

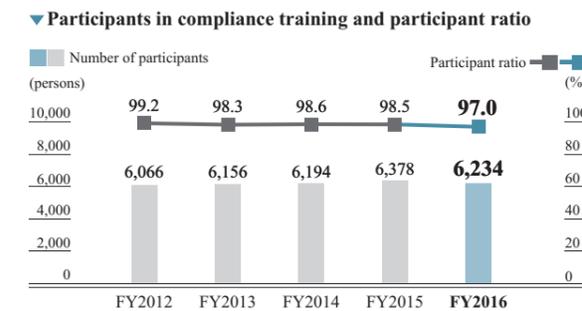
## Compliance Committee

Duskin Group has a Compliance Committee in place for the purpose of establishing, disseminating and implementing a compliance framework. This Committee is led 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 meets four times every year, 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 compliance

### Position-specific training

As part of its efforts to ensure that its members are aware of and enforce the Duskin Code of Conduct, the Duskin Group holds compliance training sessions every year for all of its Directors and employees. FY2016 training sessions were highlighted by a lecture by Mr. Hidemitsu Sasaya, Managing Executive Officer and Manager of Corporate Social Responsibility Promotion Department, ITO EN, LTD. A dilemma game was conducted as a part of case study training to help our employees develop their ethical judgment skills.



### Day of Resolve

May 31 is the Duskin Group's Day of Resolve. On May 31, 2002, Duskin was issued an order of partial business suspension by the Osaka Prefecture Government due to a violation of the Food Sanitation Act. Every year on May 31, 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, Duskin reminds all employees of the importance of compliance with regulations. This is our responsibility to society. We pledge our resolve and reaffirm the determination to do right by building upon our solid compliance structure.

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



A lecture on the Day of Resolve

### Insider information management

Duskin has formulated Rules on Insider Information Management and 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 a Disclosure Policy, under which a quiet period is set from the day following the end of a fiscal quarter to the announcement of quarterly financial results. The quiet period prevents the leakage of financial results and ensures 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 Directors and employees of Duskin and its affiliated companies to help them deepen their understanding of the importance of information management and the prevention of insider trading, in accordance with the Rules on Insider Information Management.



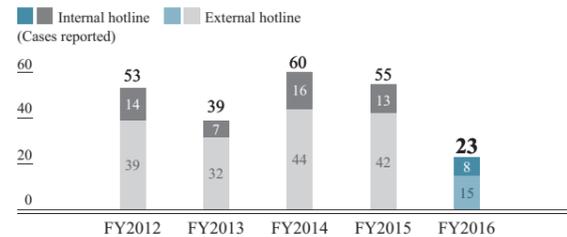
## Whistleblowing

### Internal reporting (Hotlines)

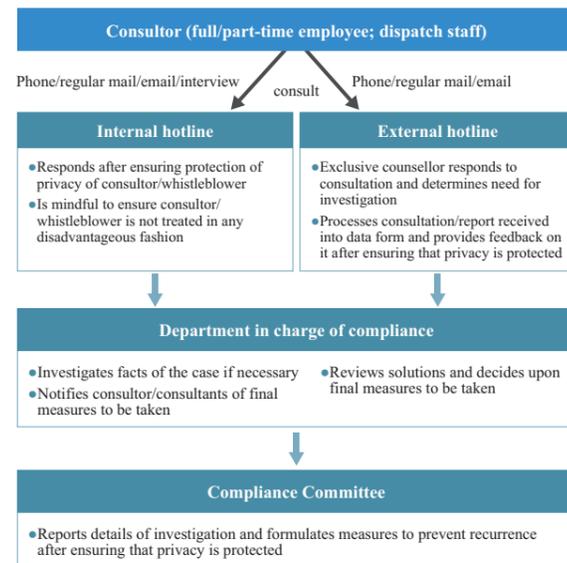
In line with the intent of the Whistleblower Protection Act of Japan, Duskin operates Compliance Hotlines that make it possible to report occurrences directly to our Legal and Compliance Department and to an external law firm. By having mechanisms in place that keep an eye out for legal infractions, unethical conduct 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 negative way.

FY2016 hotline users: internal 15, external 8

#### Number of Compliance Hotline users



#### Flowchart of Compliance Hotlines



### Suppliers' reporting

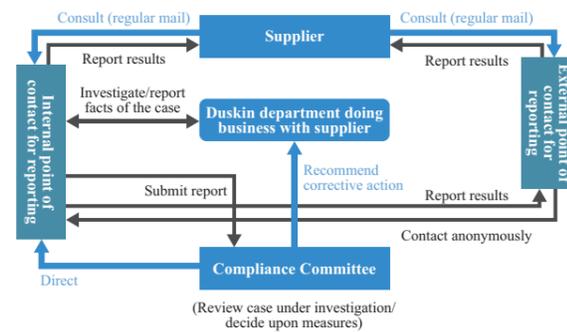
The Duskin Purchasing Clean Line for our suppliers is a point of contact for suppliers to file a report when a Director or an employee violates the Duskin Code of Conduct or has taken an action that may be suspicious concerning laws, ordinances or social ethics.

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 negative treatment. 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 FY2016.

#### Flowchart of Duskin Purchasing Clean Line



## Protection of intellectual property

Duskin recognizes that the protection of its intellectual property rights is material to its business activities and files applications to have the rights granted in line with business development. For any infringement of our rights by a third party, Duskin will take appropriate measures in accordance with relevant laws and regulations. When introducing new products and services, we make it a rule to confirm with the Legal and Corporate Compliance Department that the products and services do not infringe on a third party's intellectual property rights. Especially for the cleaning and cleanliness related products and services, our Research & Development Department conducts research and analysis on intellectual property rights starting with the research and development phase. This ensures the protection of intellectual property. The Legal and Corporate Compliance Department manages intellectual property effectively in cooperation with associated divisions and departments.

#### Number of intellectual property owned (as of fiscal years ended on March 31)

	2013	2014	2015	2016	
<b>Patents</b>	Japan	127	124	139	141
	overseas	15	16	7	9
<b>Designs</b>	Japan	48	57	57	65
	overseas	9	10	13	26
<b>Utility Models</b>		3	3	3	3
<b>Trademarks</b>	Japan	321	335	338	326
	overseas	177	179	187	188

## Financial Section

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# Ten-year Highlights with Key Performance Indicators

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

		2008	2009	2010		2011	2012	2013	2014	2015	2016	2017
<b>Fiscal year</b>												
Sales	(millions of yen)	192,344	188,552	181,280		177,320	171,118	168,163	167,745	167,987	165,203	<b>161,880</b>
Ordinary profit	(millions of yen)	15,259	14,487	13,806		12,613	11,609	11,027	8,322	7,083	6,707	<b>7,554</b>
Profit attributable to owners of parent	(millions of yen)	7,196	6,460	7,824		5,248	4,583	6,092	4,448	3,441	2,983	<b>4,318</b>
Comprehensive income	(millions of yen)	–	–	8,662		4,384	5,320	9,095	6,246	7,870	1,401	<b>5,309</b>
<b>At the end of the period</b>												
Net assets	(millions of yen)	139,664	143,322	148,308		148,565	149,604	152,811	151,903	155,196	143,648	<b>142,108</b>
Total assets	(millions of yen)	195,822	194,653	200,889		198,876	197,316	202,375	202,778	198,475	190,322	<b>190,116</b>
<b>Cash flows</b>												
Cash flows from operating activities	(millions of yen)	15,555	13,993	18,563		14,032	14,057	16,269	12,086	6,251	11,199	<b>15,803</b>
Cash flows from investing activities	(millions of yen)	–16,301	–7,065	–7,849		–12,700	–8,686	–6,864	–14,004	5,515	–2,826	<b>–3,565</b>
Cash flows from financing activities	(millions of yen)	–10,282	–5,628	–3,803		–9,749	–4,355	–5,980	–6,553	–4,514	–12,952	<b>–6,800</b>
Cash and cash equivalents at end of period	(millions of yen)	23,843	25,237	32,157		23,714	24,724	28,171	19,775	27,118	22,503	<b>27,902</b>
<b>Per share data</b>												
Net assets per share	(yen)	2,054.32	2,130.52	2,226.72		2,262.41	2,314.38	2,407.88	2,446.24	2,544.09	2,569.53	<b>2,651.76</b>
Net profit per share	(yen)	106.80	96.18	117.20		79.39	71.07	95.15	71.13	56.19	52.18	<b>78.95</b>
Dividend per share	(yen)	40.00	40.00	40.00		40.00	40.00	40.00	60.00	40.00	40.00	<b>40.00</b>
<b>Financial indicators</b>												
Equity ratio	(%)	70.7	73.2	73.4		74.3	75.4	75.1	74.3	77.6	75.0	<b>74.5</b>
Return on equity	(%)	5.2	4.6	5.4		3.6	3.1	4.1	2.9	2.3	2.0	<b>3.0</b>
Price-earnings ratio	(times)	15.79	16.3	14.19		19.42	23.26	19.74	27.82	37.02	38.75	<b>30.75</b>
Dividend payout ratio	(%)	37.5	41.6	34.1		50.4	56.3	42.0	84.4	71.2	76.7	<b>50.7</b>
<b>Stock information</b>												
Capital stock	(millions of yen)	11,352	11,352	11,352		11,352	11,352	11,352	11,352	11,352	11,352	<b>11,352</b>
Outstanding shares	(shares)	67,394,823	67,394,823	67,394,823		67,394,823	66,294,823	64,994,823	63,494,823	63,494,823	57,494,823	<b>55,194,823</b>
<b>Number of employees</b>												
Consolidated	(persons)	3,591	3,549	3,398		3,458	3,422	3,512	3,552	3,487	3,538	<b>3,528</b>
Consolidated (average number of temporary employees)	(persons)	6,677	6,626	6,403		5,931	5,890	5,751	5,867	6,041	6,128	<b>6,219</b>
Non-consolidated	(persons)	1,982	1,987	2,014		2,033	2,039	1,952	1,936	1,928	1,960	<b>1,954</b>
Non-consolidated (average number of temporary employees)	(persons)	2,543	2,386	2,367		2,158	2,079	1,715	1,541	1,478	1,588	<b>1,607</b>

Note: Consumption taxes are not included in sales.

# Financial Overview

## Accounting

### Preparation policy for the consolidated and non-consolidated financial statements

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

### Audit attestation

The consolidated financial statements for FY2016 (from April 1, 2016 to March 31, 2017) and non-consolidated financial statements for FY2016 (from April 1, 2016 to March 31, 2017) are audited by Ernst & Young ShinNihon LLC pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

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

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

understanding of accounting standards and responds in a timely manner to changes in accounting standards.

## Business and financial conditions

The Duskin Group consists of Duskin Co., Ltd. (Duskin), and its 34 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 activities, we also operate related businesses mainly through franchise networks.

### Business overview

Duskin initiated the ONE DUSKIN plan with the goal of uniting all Duskin businesses to serve our customers in a more effective and attentive manner. We continued various initiatives for a sales recovery and to build a foundation for future growth in the second year of the first phase of the Medium-term Management Policy 2015.

At Clean & Care Group, we continued our efforts to reinforce and diversify our customer contacts, and to review the cost structures of production & logistics, distribution and procurement as well as information systems. Food Group continued its efforts to rebuild the Mister Donut brand, and develop other food businesses that will become key elements of this group along with Mister Donut. In addition, we acquired the largest donut chain in Malaysia to expand our overseas operations. We continued our efforts to strengthen our management by reviewing our corporate governance.

### Analysis of business results

While Clean & Care Group posted higher sales, Food Group recorded lower sales. Despite lower sales at Food Group and higher expenses for retirement benefits, the cost ratio was improved due to efforts to reduce purchasing expenses. As a result, consolidated operating profit and ordinary profit were

higher than in the previous year.

While losses caused by the Kumamoto earthquakes and impairment losses were recorded, the extraordinary loss became smaller due to a decrease in loss on abandonment of noncurrent assets and loss on liquidation of affiliates. As a result, profit attributable to owners of parent was higher than in the previous year.

### 1) Sales

At Clean & Care Group, sales of dust control products, the core category of this segment, were lower than in the previous year. This is mainly due to lower sales to our franchisees, while the locations transferred from our franchisees made a contribution to sales. However, total sales of Clean & Care Group were higher due to favorable results at technical services including housekeeping service, Rent-All, which rents assisted-living and health care products, and items related to events, Uniform Services, and cosmetic-related businesses. At Food Group, Katsu & Katsu, a pork outlet restaurant chain and other food businesses posted higher sales. However, Food Group recorded lower sales due to lower sales at Mister Donut. As a result, consolidated sales were 161,880 million yen, a 3,322 million yen (2.0%) decrease from the previous year.

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

Cost of sales was 89,204 million yen, a 5,535 million yen (5.8%) decrease from the previous year. This was mainly due to the lower cost for Style Cleaner (a type of electrically-powered dust cleaner placed on the floor) at Clean & Care Group and lower procurement expenses for raw materials at Food Group. Selling, general and administrative expenses were 66,606 million yen, a 1,515 million yen (2.3%) increase from the previous year. This was mainly due to higher expenses for retirement benefits. Food Group reduced promotional expenses. As a result, consolidated operating profit was 6,069 million yen,

a 697 million yen (13.0%) increase from the previous year.

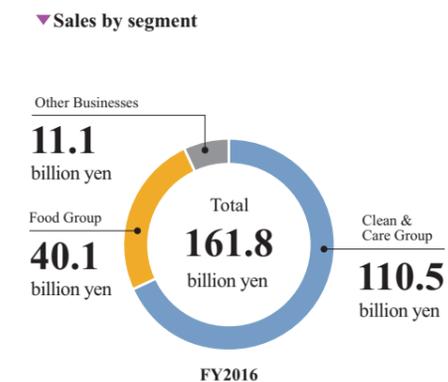
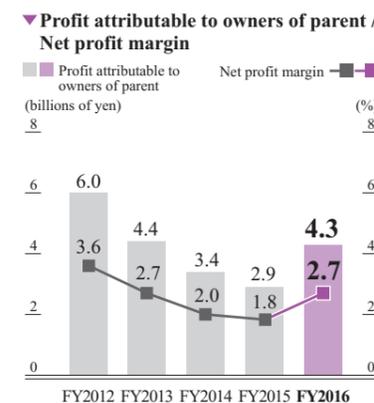
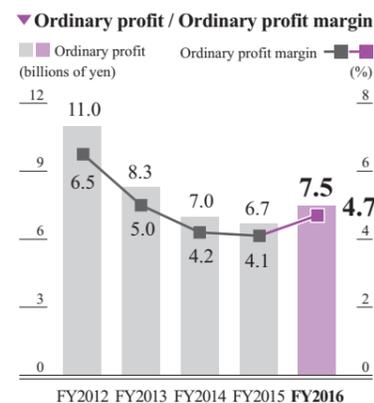
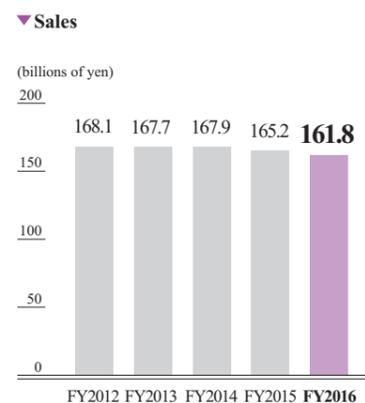
### 3) Ordinary profit (non-operating income and expenses)

Ordinary profit was 7,554 million yen, an 846 million yen (12.6%) increase from the previous year, due to the higher operating profit and non-operating income. Interest income from government bonds decreased due to lower market interest rates. Rent income, including subleasing of Mister Donut shops was higher. As a result, non-operating income was 1,884 million yen, a 98 million yen (5.5%) increase from the previous year. Non-operating expenses were 399 million yen, a 50 million yen (11.3%) decrease from the previous year. This was mainly due to the expenses related to a voluntary recall by Kyowa Cosmetics Co., Ltd. incurred in the previous year.

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

Extraordinary income was 728 million yen, a 98 million yen (15.7%) increase from the previous year. This was mainly due to a gain on sale of part of the investment securities owned by Duskin. Extraordinary loss was 1,673 million yen, a 9 million yen (0.6%) decrease from the previous year. This was mainly due to loss on liquidation of affiliates incurred in the previous year, and a decrease in loss on abandonment of non-current assets. Expenses for support activities involving the Kumamoto earthquakes and higher impairment losses of noncurrent assets were recorded.

Tax expenses decreased due to the transfer of an affiliate's shares impaired in the previous year. As a result, profit attributable to owners of parent was 4,318 million yen a 1,335 million yen (44.8%) increase from the previous year.



### Analysis of financial position

#### Current assets

As of March 31, 2017, current assets amounted to 62,021 million yen, a 1,238 million yen decrease compared to the previous year. This is mainly attributable to a 2,193 million yen increase in cash and deposits and a 3,509 million yen decrease in short-term marketable securities.

#### Non-current assets

Non-current assets totaled 128,095 million yen at the end of the fiscal year, a 1,033 million yen increase compared to the previous fiscal year. This is mainly due to a 1,133 million yen decrease in buildings and structures and a 2,371 million yen increase in investment securities.

#### Current liabilities

Current liabilities amounted to 34,603 million yen, a 2,674 million yen increase compared to the previous fiscal year. This is mainly due to a 1,924 million yen increase in accrued income taxes and a 525 million yen increase in accounts payable-other.

#### Non-current liabilities

Non-current liabilities totaled 13,403 million yen at the end of the fiscal year, a 1,340 million yen decrease from the previous fiscal year. This is due to a 1,385 million decrease in net defined benefit liability.

#### Net assets

Net assets totaled 142,108 million yen at the end of the fiscal year, a 1,539 million yen decrease from the previous fiscal year. This is mainly due to a 1,820 million yen increase in remeasurements of defined benefit plans, a 2,577 million yen decrease in retained earnings resulting from profit attributable to owners of parent of 4,318 million yen less 2,204 million yen

paid out in dividends and retirement of treasury shares of 4,691 million yen, and a 707 million yen decrease in valuation difference on available-for-sale securities.

### Cash flows

To improve our corporate value, we place importance on increasing cash flows from operating activities and continuing investments in new areas for growth.

Cash and cash equivalents (Cash) at the end of the fiscal year totaled 27,902 million yen, a 5,398 million yen increase from 22,503 million yen at the end of the previous fiscal year.

#### Cash flow from operating activities

Cash inflows from operating activities amounted to 15,803 million yen (11,199 million yen in the previous fiscal year). Profit before income taxes totaled 6,610 million yen, while depreciation of 6,955 million yen, impairment loss of 1,297 million yen and increase in net defined benefit liability of 1,238 million yen were recorded.

#### Cash flow from investing activities

Net cash used by investing activities totaled 3,565 million yen, (2,826 million yen used in the previous fiscal year). This is mainly due to sale and redemption of marketable securities and investment securities with a value of 36,147 million yen, purchase of marketable securities and investment securities with a value of 31,912 million yen and purchase of property, plant and equipment with a value of 4,363 million yen.

#### Cash flow from financing activities

Net cash used in financing activities amounted to 6,800 million yen (12,952 million yen used in the previous year). This is due to the purchase of treasury shares of 4,417 million yen and the dividend payment of 2,210 million yen.

### Research and development

#### Research and development policy and structure

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

As of March 31, 2017, our Research & Development Center, with a total of 24 staff members, had three laboratories: Dust Control Materials Technologies for research and development involving materials for new rental items and new production and treatment methods; Environmental Hygiene for research involving chemicals to enhance the value of rental products and for conducting demonstration experiments concerning cleaning and allergies through industrial cooperation; and New Technologies with a focus on new rental items.

#### Product testing policy and structure

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

As of March 31, 2017, the Product Inspection Center had two laboratories: Safety & Analysis Laboratory and Reliability & Utility Value Laboratory, with a total of 16 staff members.

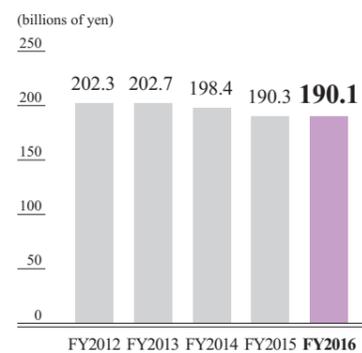
#### Research and development expenses

Research and development expenses totaled 662 million yen.

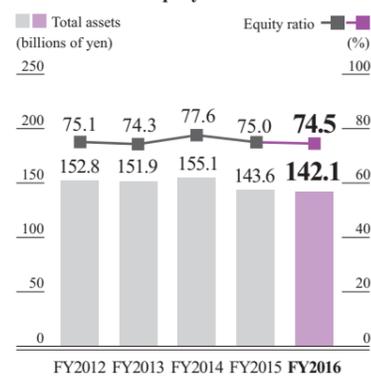
### Capital investments

Capital investments (including intangible assets and payments of lease and guarantee deposits) totaled 5,905 million yen. At Clean & Care Group, 915 million yen was invested for the installation and renewal of production facilities for plants, and 655 million yen was invested for the second term development of the Production & Logistics system. For recording goodwill by special customer transfer system 545 million yen was invested, and 322 million yen was invested for upgrading the Shop Operation system. At Food Group, 980 million yen was invested to open new shops and remodeling existing shops along with the introduction of the Mister Donut new concept. There was no significant sale or retirement of facilities.

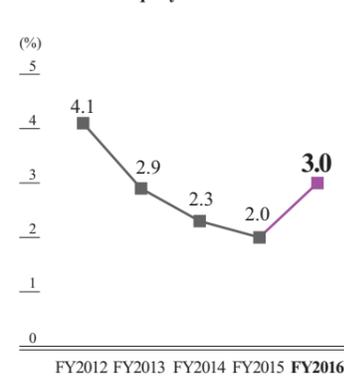
#### Total assets



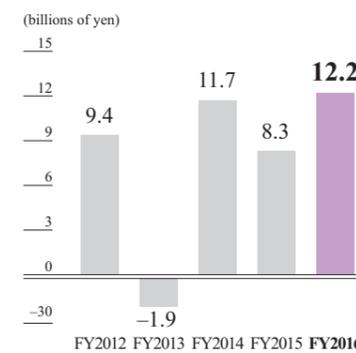
#### Total assets / Equity ratio



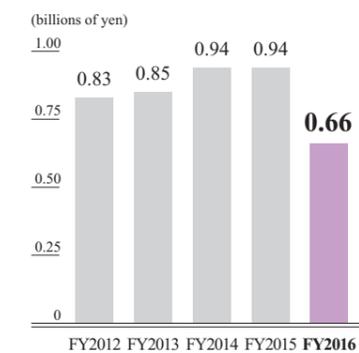
#### Return on equity



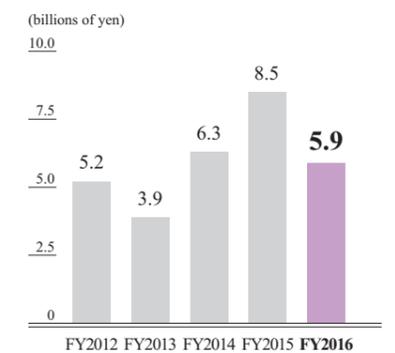
#### Free cash flow



#### Research and development expenses



#### Capital investments



# Consolidated Financial Statements

## Consolidated Balance Sheets

(millions of yen)

	FY2015 As of March 31, 2016	FY2016 As of March 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,006	21,200
Notes and accounts receivable - trade	10,109	9,887
Lease receivables and investment assets	1,460	1,359
Securities	19,528	16,018
Merchandise and finished goods	7,590	7,388
Work in process	174	157
Raw materials and supplies	1,432	1,557
Deferred tax assets	1,473	1,719
Other	2,524	2,766
Allowance for doubtful accounts	-39	-34
<b>Total current assets</b>	<b>63,260</b>	<b>62,021</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	44,397	44,157
Accumulated depreciation	-25,494	-26,388
Buildings and structures, net	18,902	17,769
Machinery, equipment and vehicles	24,139	24,880
Accumulated depreciation	-17,618	-18,134
Machinery, equipment and vehicles, net	6,520	6,745
Land	23,588	23,628
Construction in progress	324	241
Other	13,100	11,903
Accumulated depreciation	-9,703	-8,955
Other, net	3,397	2,948
<b>Total property, plant and equipment</b>	<b>52,733</b>	<b>51,334</b>
Intangible assets		
Goodwill	305	793
Other	7,263	6,825
<b>Total intangible assets</b>	<b>7,569</b>	<b>7,618</b>
Investments and other assets		
Investment securities	56,608	58,979
Long-term loans receivable	8	5
Deferred tax assets	2,283	2,263
Guarantee deposits	6,408	6,304
Other	1,596	1,616
Allowance for doubtful accounts	-147	-27
<b>Total investments and other assets</b>	<b>66,758</b>	<b>69,142</b>
<b>Total non-current assets</b>	<b>127,062</b>	<b>128,095</b>
<b>Total assets</b>	<b>190,322</b>	<b>190,116</b>

(millions of yen)

	FY2015 As of March 31, 2016	FY2016 As of March 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	7,353	6,836
Short-term loans payable	-	78
Current portion of long-term loans payable	9	10
Income taxes payable	413	2,337
Provision for bonuses	2,876	3,255
Asset retirement obligations	8	12
Accounts payable - other	7,057	7,583
Guarantee deposit received for rental products	9,657	9,421
Other	4,552	5,069
<b>Total current liabilities</b>	<b>31,929</b>	<b>34,603</b>
<b>Non-current liabilities</b>		
Long-term loans payable	10	-
Net defined benefit liability	13,286	11,901
Asset retirement obligations	643	616
Long-term guarantee deposited	728	812
Long-term accounts payable - other	74	74
Other	0	0
<b>Total non-current liabilities</b>	<b>14,744</b>	<b>13,403</b>
<b>Total liabilities</b>	<b>46,673</b>	<b>48,007</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	10,835	11,086
Retained earnings	119,910	117,332
Treasury shares	-3,843	-3,568
<b>Total shareholders' equity</b>	<b>138,255</b>	<b>136,203</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,462	7,754
Deferred gains or losses on hedges	-18	-
Foreign currency translation adjustment	-37	-120
Remeasurements of defined benefit plans	-3,934	-2,113
<b>Total accumulated other comprehensive income</b>	<b>4,472</b>	<b>5,521</b>
Non-controlling interests	920	384
<b>Total net assets</b>	<b>143,648</b>	<b>142,108</b>
<b>Total liabilities and net assets</b>	<b>190,322</b>	<b>190,116</b>

Consolidated Statements of Income

(millions of yen)

	FY2015 April 1, 2015 - March 31, 2016	FY2016 April 1, 2016 - March 31, 2017
Net sales	165,203	161,880
Cost of sales	94,740	89,204
Gross profit	70,462	72,676
Selling, general and administrative expenses	65,090	66,606
Operating profit	5,372	6,069
Non-operating income		
Interest income	571	408
Dividend income	293	325
Rent income on facilities	95	177
Commission fee	215	198
Share of profit of entities accounted for using equity method	126	171
Miscellaneous income	483	603
Total non-operating income	1,785	1,884
Non-operating expenses		
Interest expenses	0	1
Foreign exchange losses	53	7
Compensation expenses	219	48
Cancellation penalty	6	102
Commission for purchase of treasury shares	44	60
Miscellaneous loss	125	179
Total non-operating expenses	449	399
Ordinary profit	6,707	7,554
Extraordinary income		
Gain on sales of non-current assets	4	0
Gain on sales of investment securities	559	580
Gain on bargain purchase	50	-
Investment securities settlement gain	-	114
Gain on sales of shares of subsidiaries and associates	-	24
Other	14	8
Total extraordinary income	629	728
Extraordinary losses		
Loss on sales of non-current assets	12	22
Loss on abandonment of non-current assets	308	166
Impairment loss	1,165	1,297
Loss on liquidation of subsidiaries and associates	115	-
Loss on disaster	-	176
Amortization of goodwill	79	-
Other	1	10
Total extraordinary losses	1,682	1,673
Profit before income taxes	5,655	6,610
Income taxes - current	1,645	3,051
Income taxes - deferred	1,215	-726
Total income taxes	2,860	2,325
Profit	2,794	4,285
Loss attributable to non-controlling interests	-188	-33
Profit attributable to owners of parent	2,983	4,318

Consolidated Statements of Comprehensive Income

(millions of yen)

	FY2015 April 1, 2015 - March 31, 2016	FY2016 April 1, 2016 - March 31, 2017
Profit	2,794	4,285
Other comprehensive income		
Valuation difference on available-for-sale securities	2,517	-707
Deferred gains or losses on hedges	-18	18
Foreign currency translation adjustment	34	-68
Remeasurements of defined benefit plans, net of tax	-3,830	1,816
Share of other comprehensive income of entities accounted for using equity method	-95	-34
Total other comprehensive income	-1,392	1,024
Comprehensive income	1,401	5,309
Comprehensive income attributable to owners of parent	1,556	5,367
Comprehensive income attributable to non-controlling interests	-154	-57

Consolidated Statements of Changes in Equity

(millions of yen)

	FY2015 April 1, 2015 - March 31, 2016				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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 shares				-10,506	-10,506
Retirement of treasury shares			-11,833	11,833	-
Changes in ownership interest of parent due to transactions with non-controlling interests		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 shares							-10,506
Retirement of treasury shares							-
Changes in ownership interest of parent due to transactions with non-controlling interests							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

Consolidated Statements of Changes in Equity

(millions of yen)

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

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

Consolidated Statements of Cash Flows

(millions of yen)

	FY2015 April 1, 2015 - March 31, 2016	FY2016 April 1, 2016 - March 31, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,655	6,610
Depreciation	6,766	6,955
Amortization of goodwill	295	245
Increase (decrease) in allowance for doubtful accounts	6	-53
Bad debts expenses	1	2
Interest and dividend income	-864	-733
Interest expenses	0	1
Foreign exchange losses (gains)	2	2
Share of (profit) loss of entities accounted for using equity method	-126	-171
Loss (gain) on sales of property, plant and equipment	8	21
Loss on retirement of property, plant and equipment	148	114
Loss (gain) on sales and redemption of investment securities	-559	-580
Gain on liquidation of investment securities	-	-114
Gain on bargain purchase	-50	-
Impairment loss	1,165	1,297
Loss (gain) on liquidation of subsidiaries and associates	115	-
Loss on disaster	-	176
Decrease (increase) in notes and accounts receivable - trade	116	283
Decrease (increase) in inventories	385	122
Increase (decrease) in notes and accounts payable - trade	408	-537
Increase (decrease) in provision for bonuses	-394	380
Increase (decrease) in net defined benefit liability	-81	1,238
Increase (decrease) in accrued consumption taxes	-1,166	509
Decrease (increase) in lease investment assets	89	139
Decrease (increase) in other assets	244	397
Increase (decrease) in other liabilities	621	49
<b>Subtotal</b>	<b>12,784</b>	<b>16,358</b>
Interest and dividend income received	1,072	853
Interest expenses paid	-0	-1
Payments for loss on disaster	-	-167
Income taxes paid	-2,657	-1,240
<b>Net cash provided by (used in) operating activities</b>	<b>11,199</b>	<b>15,803</b>
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	623	-199
Purchase of securities	-8,002	-21,502
Proceeds from sales and redemption of securities	8,000	21,500
Purchase of property, plant and equipment	-5,808	-4,363
Proceeds from sales of property, plant and equipment	30	67
Purchase of investment securities	-8,024	-10,410
Proceeds from sales and redemption of investment securities	13,086	14,647
Proceeds from liquidation of investment securities	-	117
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-222
Proceeds from purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	70	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	-41
Payments of loans receivable	-2	-3
Collection of loans receivable	7	5
Payments for lease and guarantee deposits	-322	-342
Proceeds from collection of lease and guarantee deposits	285	281
Payments for transfer of business	-93	-581
Other payments	-2,693	-2,590
Other proceeds	15	73
<b>Net cash provided by (used in) investing activities</b>	<b>-2,826</b>	<b>-3,565</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-	78
Repayments of long-term loans payable	-30	-9
Purchase of treasury shares	-10,506	-4,417
Cash dividends paid	-2,317	-2,210
Dividends paid to non-controlling interests	-4	-3
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-93	-237
<b>Net cash provided by (used in) financing activities</b>	<b>-12,952</b>	<b>-6,800</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>-34</b>	<b>-39</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-4,614</b>	<b>5,398</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>27,118</b>	<b>22,503</b>
<b>Cash and cash equivalents at end of period</b>	<b>22,503</b>	<b>27,902</b>

## Accomplishments Acknowledged by Society Group

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

### Recognitions by SRI and ESG rating agencies

#### Designated as an MS-SRI component security

Morningstar Japan K.K. selects 150 publicly listed companies for their outstanding social credentials and then converts their stock prices into the Morningstar Socially Responsible Investment Index (MS-SRI). It is Japan's first socially responsible share index, and Duskin has been designated as an MS-SRI component security as of January 2017.



#### Certified as a White 500, Health and Productivity Management Organization 2017

White 500 is a program designed by the Ministry of Economy, Trade and Industry jointly with the Nippon Kenko Kaigi. By 2020, it aims to recognize 500 large companies engaging in strategic efforts to help maintain their employees' health from a management perspective in collaboration with health insurance society members and other associations.

Duskin is certified as one of the White 500 companies.



### Awards and certifications

#### Awarded as an environmental human resource development enterprise

The Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD) award companies engaging in developing excellent leaders involved in environmental conservation. In 2016, Duskin received the award in recognition of its eco-friendly efforts, creating a guidebook on environmental regulations, and environmental training programs customized for specific job categories and positions.

#### Recognized by MEXT as an enterprise enriching young people's experiences

In FY2016, Duskin received a Review Board Special Award as an enterprise enriching young people's experiences. The award is to recognize companies making excellent efforts developing young people's experiences as part of their goals for social contribution. The Ministry of Education, Culture, Sports, Science and Technology (MEXT) publicizes their efforts across

Japan to create more opportunities for young people to experience hands-on activities that help develop their abilities to thrive and prosper in the future.

#### Received Kurumin certification

A Kurumin certification is granted by the Ministry of Health, Labour and Welfare in recognition of companies that support child rearing by employees. Duskin was certified due to our action plans in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children; we also met the Ministry's standards and achieved the goals under the action plans.



#### Awarded as an Anticrime CSR Fulfilling Enterprise

National Crime Protection CSR Promotion Committee awards organizations actively involved in local safety and anticrime measures. In 2016, Duskin and seven other organizations were awarded by the Conference.

In cooperation with regional police departments, Duskin has been conducting educational activities to prevent the public from falling victim to frauds. Included in these activities is providing mats designed to raise awareness of possible fraud occurring in financial institutions.

#### Best Contributors to Product Safety in the Large Retailer Category

The Ministry of Economy, Trade and Industry (METI) grants the Best Contributors to Product Safety award to manufacturers, exporters and retailers to recognize their company-wide efforts for product safety.

In 2015, Duskin was the first among direct-selling and dust control companies to receive the award.



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

The Ministry of Health, Labour and Welfare (MHLW) grants the Minister's awards to companies employing a large number of people with disabilities.

In 2014, Duskin received the Minister's Award for its initiatives, including the Project to Promote the Employment of People with Disabilities which provided more job opportunities and improved retention for people with disabilities.

## Third-Party Opinion



### Eiichiro Adachi

Counselor  
The Japan Research Institute,  
Limited

#### Career summary

1986: Graduated from Hitotsubashi University

1990: Joined The Japan Research Institute

Currently serving as ESG Research Center Manager, after leading positions at management strategy research and technology research departments

His responsibilities include industry research and going concern valuation from the view of corporate social responsibility.

Following the previous year's edition, I have reviewed Duskin Corporate Report 2017. I understand Duskin intends to report its management strategy and financial information, as well as non-financial information such as its CSR activities, in a simplified and integrated manner. Based on my understanding of this editorial policy, it is my pleasure to submit the following third-party opinion.

In my third-party opinion in the previous year, I recommended that Duskin describe in greater details the overall operation and strength of its franchise system as franchising is the core of Duskin's business model. I would like to express my gratitude for their including these details on page 37 and other pages of this Report. For future Reports, I expect greater disclosure on franchisees, including their locations, corporate data and training/educational efforts. My recommendation is to include voices of franchisees.

The four focused themes, "Safety, Reliability & Quality," "Human Resources," "Environment" and "Local & Social Contributions" were clearly explained. Through this Report, I have come to better understand that "Human Resources" are the key for Duskin's future growth. It is noteworthy that Duskin frankly included "lower profitability at the shop level due to a hike of labor cost" in the weakness of SWOT analysis (pages 29 and 30). This helped me to understand the circumstances that lead to Duskin's participation in the Project to Accept Foreigners Conducting Housekeeping Services, ahead of other companies.

Considering this point, it would be beneficial to review whether the efforts for securing, retaining and developing human resources are well communicated to the stakeholders by the information disclosed under the theme of "Human Resources" for 7 pages from page 59. If Duskin views securing and developing human resources as its materiality, it would be advisable to expand the scope of human resources to include other employees in addition to regular employees. I would also recommend that specific challenges, measures and results of each challenge are included.

I believe Duskin's businesses, both Clean & Care Group and Food Group, feature close relationship with customers. For this reason, I believe the ideal Report for Duskin should include how people working at Duskin feel about their jobs and fulfillment in their efforts in creating social values as well as economic values.

Also, the Report helped me better understand Duskin's initiatives for structural reform and overseas business expansion. There was good news that Duskin was recognized as a Health and Productivity Management Organization (White 500) by the Ministry of Economy, Trade and Industry. 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 on our report on Duskin Group activities. For the Duskin Corporate Report 2017, we focused our efforts on clearly communicating our business model and features. As for the pages describing our franchise system, we appreciate the favorable evaluation of our efforts to improve the contents as well as favorable evaluation of our stating our commitment to, and description of our initiatives through, franchising. With this encouragement, we will continue to further enhance our franchise activities.

With regard to the "Human Resources" and his recommendations, we will work on better understanding the expectations of stakeholders and reflecting them in the contents with more specific initiatives and indicators.

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.

### Kazushi Sumimoto

Director  
Chairman, CSR Committee

## History

Feb.	1963	Established Sani-Clean Company.
Nov.		Opened Suita Laundry Plant as our first plant, manufacturing dust control products.
June	1964	Changed company name to Duskin Co., Ltd.
Oct.		Began selling "Home Duskin" products throughout Japan.
Aug.	1969	Granted full membership in International Franchise Association (IFA), the first time for a Japanese company.
Jan.	1971	Started ServiceMaster business.
Apr.		Started Mister Donut business. Opened the first shop in Minoh, Osaka.
July		Started business that rents industrial wiper cloth by reutilizing scrapped Home Duskin cloths.
Nov.	1976	Started sales of cosmetics through tie-up with AGA Co., Ltd. (now called Health & Beauty)
Apr.	1977	Started pest control business. (now called Terminix)
Aug.		Opened the first branch of Rent-All business.
Dec.	1978	Started uniform rental business. (now called Uniform Service)
July	1982	Started management service of medical institutions. (now operated by Duskin Healthcare Co., Ltd.)
July	1989	Started Merry Maids business.
Dec.		Started Café Du Monde business.
Sep.	1990	Corporate Headquarters, Duskin Pia, completed in Esaka, Osaka.
Oct.	1993	Started new franchise system, "Duskin Serve 100" organization.
Dec.	1994	Started dust control business in Taiwan.
Feb.	1999	Opened the first restaurant of Katsu & Katsu business.
Apr.		Started Catering business. (now called Drink Service)
Nov.		Started TruGreen business.
May	2000	Started Mister Donut business in Shanghai, China.
June		Started Home Instead Senior Care business.
Apr.	2003	Organized Quality Assurance Committee to establish quality assurance structure within the company. (now called Quality Assurance and Environment Committee)
Apr.		Established Compliance Promotion Committee to build compliance structure within the company. (now called Compliance Committee)
Sep.	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 Shanghai, China.
Dec.		Duskin stocks listed on the first section of Tokyo Stock Exchange and Osaka Securities Exchange. The cash equity markets of Tokyo Stock Exchange and Osaka Securities Exchange were integrated on July 16, 2013.
Feb.	2008	Entered into capital and business alliance with MOS FOOD SERVICES Inc.
Oct.	2010	Acquired Azare Products Co., Ltd. and Kyowa Cosmetics Co., Ltd. as wholly-owned subsidiaries.
Aug.	2011	Opened the first Mister Donut shop in Malaysia, near Kuala Lumpur.
Mar.	2012	Started dust control business in Korea.
May		Acquired Hachiya Dairy Products Co., Ltd. as a wholly-owned subsidiary.
Apr.	2013	Duskin Kyoeki Co., Ltd. and Duskin Insurance Service Co., Ltd. merged. (Duskin Kyoeki Co., Ltd.)
Apr.		Established MD Food Co., Ltd.
Mar.	2014	Acquired Chugai Sangyo Co., Ltd. as a wholly-owned subsidiary.
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.
Apr.		Started Home Repair business.
June		Established Duskin Echizen Co., Ltd.
Feb.	2017	Acquired Big Apple Worldwide Holdings Sdn. Bhd. as a subsidiary.

## Stock Information

(as of March 31, 2017)

### Stock Summary

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

Note: The total number of shares issued decreased 2,300,000 from the end of FY2016 due to the cancellation of treasury shares on March 31, 2017.

### Major Shareholders (top ten shareholders)

Name	Number of shares owned (unit: 1,000 shares)	Ownership ratio (%)
Duskin Employee Stock Ownership Plan	1,857	3.47
Nippon Flour Mills Co., Ltd.	1,800	3.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,765	3.30
Hirokata Ogasawara	1,515	2.83
Japan Trustee Services Bank, Ltd. (Trust Account)	1,403	2.62
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,225	2.29
Duskin Franchisee Stock Ownership Plan	1,070	2.00
Japan Trustee Services Bank, Ltd. (Trust Account 5)	983	1.84
Mitsui & Co., Ltd.	870	1.62
Sumitomo Mitsui Banking Corporation	840	1.57

Note: 1. Duskin is not included in the list of major shareholders above though it owns 1,749,382 shares in treasury shares.  
2. Treasury shares are not included in the ownership ratio.

### Types of Shareholders

