Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2015 (Japanese Standards)

All information contained in this document has been prepared in accordance with generally accepted accounting principles in Japan.
This document has been translated from the Japanese original for reference purpose only.

October 31, 2014

Company name: Duskin Co., Ltd. Shares listed: Tokyo
Code number: 4665 (URL http://www.duskin.co.jp/corp/index.html)
Representative: Teruji Yamamura, President & CEO
Contact: Akihisa Tsurumi, Executive Director Phone: (06) 6821-5071

Scheduled date of filing quarterly report: November 13, 2014
Scheduled date of dividend payment: December 3, 2014
Preparation of supplemental explanatory materials: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are dropped.)

1. Consolidated financial results for the period from April 1, 2014 - September 30, 2014

(1) Results of operation

(Percentages indicate the change against the same period of the previous fiscal year.)

	Sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
6 months ended Sept. 30, 2014	83,631	0.4	1,858	-57.3	2,815	-47.2	1,469	-52.0
6 months ended Sept. 30, 2013	83,310	1.5	4,351	-8.4	5,327	-7.3	3,059	3.1

(Note) Comprehensive income: Sept. 30, 2014: 3,043 million yen (-24.2%) Sept. 30, 2013: 4,013 million yen (51.5%)

	Net income per share	Net income per share (fully diluted)
	yen	yen
6 months ended Sept. 30, 2014	23.87	—
6 months ended Sept. 30, 2013	48.72	—

(2) Financial position

	Total assets	Net assets	Ratio of equity to total assets
	millions of yen	millions of yen	%
As of Sept. 30, 2014	194,401	153,536	78.3
As of Mar. 31, 2014	202,778	151,903	74.3

(Reference) Shareholders' equity: Sept. 30, 2014: 152,265 million yen Mar. 31, 2014: 150,637 million yen

2. Dividends

	Dividends per share				
	End of 1st Q	End of 2nd Q	End of 3rd Q	Year-end	Total (Annual)
	yen	yen	yen	yen	yen
Year ended Mar. 31, 2014	—	40.00	—	20.00	60.00
Year ending Mar. 31, 2015	—	20.00			
Year ending Mar. 31, 2015 (Forecast)			—	20.00	40.00

(Note) Revision of forecast for dividend recently announced: None
Dividends at the end of second quarter of FY2013: ordinary dividend 20 yen, commemorative dividend 20 yen

3. Forecast of consolidated financial results for the FY2014 (April 1, 2014 - March 31, 2015)

(Percentages indicate the change against the same period of the previous fiscal year.)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year ending Mar. 31, 2015	170,500	1.6	5,200	-21.7	6,800	-18.3	3,800	-14.6	61.71

(Note) Revision of forecast for consolidated financial results recently announced: None

***Notes**

(1) Changes in significant subsidiaries during the period (Changes in specific subsidiaries resulting in an adjustment to the scope of consolidation): None

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: Yes
(Please refer to page 5, 2. Summary information (other information) (2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements.)

(3) Changes in accounting policies and estimates, and retrospective restatements
1) Changes due to revision of accounting standards: Yes
2) Changes other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatements: None

(4) Number of shares issued (Common stock)

1) Number of shares issued at the end of the period (including treasury stock)	6 months ended Sept. 30, 2014	63,494,823	Year ended Mar. 31, 2014	63,494,823
2) Number of treasury stock at the end of the period	6 months ended Sept. 30, 2014	1,916,267	Year ended Mar. 31, 2014	1,915,897
3) Average number of shares during the period	6 months ended Sept. 30, 2014	61,578,768	6 months ended Sept. 30, 2013	62,794,774

* Implementation status of quarterly review
This summary of financial statements is exempt from the quarterly review procedure required by the Financial Instruments and Exchange Act. Review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Act were being performed at the time of the announcement of this summary of financial statements.

* Explanation regarding the appropriate use of business forecasts
The financial forecast contained in this report is based on information available at the time of preparation of the report and certain assumptions considered reasonable, and thus the Company makes no warranty as to the achievability of the forecast. Readers are advised that actual results may differ significantly from the forecast.

Contents of attachment:

1. Qualitative information

(1) Business results

In the first six months ended September 30, 2014 (April 1 - September 30, 2014), the Japanese economy slowly recovered although there was a temporary downturn because of the April 2014 consumption tax hike. Duskin started its 51st year since its founding, which is also the final year of its Medium-term Management Policy. We continued our initiatives aligned with this policy by reviewing all our business systems from our customers' perspective. Clean & Care Group continued its efforts for innovating its business systems, including payment methods, rental product delivery and collection channels, to meet diversified customer needs. At Food Group, Mister Donut, its core business, worked on developing menu items focused on customers' different reasons and purposes for visiting Mister Donut shops.

As a result, Food Group posted higher sales from one year earlier, owing to Mister Donut's favorable results from the beginning of this fiscal year. However, Clean & Care Group was affected by the consumption tax hike more than expected, and its sales were lower than in the same period of the previous year. As a result, overall sales slightly increased over one year earlier. Operating income, ordinary income and net income decreased from the same period of the previous year due to the up-front cost associated with the launch of the new dust cleaner, *Style Cleaner*.

*At Duskin the total cost of rental products is recorded at the time of shipping the products to franchisees.

(millions of yen)

	6 months ended September 30, 2013	6 months ended September 30, 2014	Increase/decrease	
				%
Consolidated sales	83,310	83,631	321	0.4%
Consolidated operating income	4,351	1,858	-2,492	-57.3%
Consolidated ordinary income	5,327	2,815	-2,512	-47.2%
Consolidated net income	3,059	1,469	-1,589	-52.0%

[Results by business segment]

1) Clean & Care Group

Rent-All, which provides rental services ranging from daily commodities to items needed for events, and Uniform Service performed well. However, sales were lower for both residential and commercial dust control products, the core products of this segment. As a result, Clean & Care Group posted lower sales than one year earlier. Although *Style Cleaner* demand is running ahead of estimates, operating income decreased due to a large amount of up-front costs for this product and higher sales promotion expenses.

(millions of yen)

	6 months ended September 30, 2013	6 months ended September 30, 2014	Increase/decrease	
				%
Sales	55,023	54,137	-885	-1.6%
Operating income	7,512	5,097	-2,415	-32.2%

Sales of dust control products for residential use were lower than one year earlier. We promoted *Cleaning Basic Three*, an economical set of three cleaning items: the *LaLa* floor mop, the *shushu* handy mop, and a dust cleaner. However, the number of "Try Me Festival" promotion events held in shopping malls and supermarkets were lower than in the previous year which was our 50th anniversary. As a result, the number of new customers decreased from one year earlier even though we had planned on an increase.

Looking at sales by product, rental sales of *Cleaning Basic Three* have been growing steadily due to focused promotions. Renewed air fresheners, *Pure Colon*, Hello Kitty's kitchen sponges - antibacterial type were well-received while rental sales of other floor and handy mops and range hood filters were lower than one year earlier.

Sales of dust control products for commercial customers were lower than one year earlier. We continued our efforts to promote "Professional kitchen sanitary management support services," which offer comprehensive solutions with our products and services to maintain cleanliness at customers' shops and offices. These comprehensive solutions tailored to customers' needs steadily grew and helped gradually stem the declining rate of sales.

Looking at sales by product, rental sales of thin dust control and water absorption mats and *Smart Mops* steadily increase. But restroom related products decreased due to the negative effects of the surge of purchasing by our franchisees before the consumption tax hike during the 4th quarter of the previous fiscal year.

In the technical services sector, equipment and chemical sales were lower due to the negative effects of the surge of purchasing by our franchisees before the consumption tax hike. However, the residential services such as housekeeping services grew steadily and royalty revenue from our franchisees increased. As a result, technical services recorded slightly higher sales than one year earlier.

2) Food Group

Food Group recorded higher sales than in the same period of the previous year. This was due to the favorable results at Mister Donut, the core business of this segment, and the steady performance of other food businesses. Operating income increased along with the increase in sales. As the Misdo Club point card program was discontinued at the end of September 2013, Mister Donut recorded system-related expenses to exchange the remaining points until the expiration dates. At Food Group, higher expenses for test-marketing for new businesses were also recorded. As a result, Food Group recorded an operating loss.

(millions of yen)

	6 months ended September 30, 2013	6 months ended September 30, 2014	Increase/decrease	
				%
Sales	22,999	24,187	1,187	5.2%
Operating income	-144	-485	-341	—

At Mister Donut, new products posted favorable results. A new product line, *waff* was well received because of its soft and airy texture and reasonable price. *Mister Croissant Donut*, with its good taste and a distinctive package design, was also well received among fashion-conscious women in their 20s and 30s. *Cotton Snow Candy*, newly introduced as a sales-boosting measure for summer, was popular because of its new texture that gently melts in the mouth. Under the theme of Cool Resort, Mister Donut introduced a new shop design with interior and exterior decoration in a refreshingly cool blue. For a limited time only, eight shops reopened with this new design nationwide. These promotions and an advertisement featuring a pop idol contributed to favorable results. The number of Mister Donut shops decreased and the number of customers remained at the same level as in the previous fiscal year. However, these new products and promotions that attracted customers' attention helped increase average sales per customer. As a result, Mister Donut recorded higher sales than one year earlier.

The other food service businesses also posted higher sales from one year earlier. Katsu and Katsu restaurants, remodeled from the previous year, introduced high value added menus with featured ingredients and regions. These menus were well received by a wide range of generations of customers. In addition, Bakery Factory, a large suburban type bakery shop that started its test marketing in November 2013, was well received because of its wide variety of products.

3) Other Businesses

Other Businesses posted higher sales than one year earlier while operating income was lower than one year earlier. Duskin Kyoeki, a leasing and insurance company, recorded the same level of sales and operating income as in the previous year. However, Duskin Healthcare, which provides management services to medical facilities, recorded lower sales due to the consumption tax hike and the cancellation of a large account. Among overseas consolidated subsidiaries, Duskin Hong Kong, which procures raw materials and equipment, increased its sales due to higher volume of paper towels and the weaker yen. Duskin Shanghai Co., Ltd., which operates a dust control business in Shanghai, China, recorded lower operating income mainly due to higher promotion expenses focused on residential customers.

(millions of yen)

	6 months ended September 30, 2013	6 months ended September 30, 2014	Increase/decrease	
				%
Sales	5,286	5,306	19	0.4%
Operating income	209	154	-55	-26.3%

Overseas, Mister Donut posted steady sales growth in Taiwan, Thailand, the Philippines and Malaysia. But sales decreased in Shanghai and South Korea where underperforming stores were closed in the previous fiscal year. The Clean & Care Business also recorded steady sales growth in all overseas markets of Taiwan, Shanghai and South Korea.

Segment sales figures do not include consumption tax.

(2) Financial Position

At the end of the second quarter, total assets were 194,401 million yen, an 8,377 million yen decrease from the end of the previous fiscal year. This is due to 7,576 million yen increase in marketable securities and 9,386 million yen decrease in investment securities and 5,634 million yen decrease in cash and deposits.

Total liabilities were 40,865 million yen, a 10,010 million yen decrease from the end of the previous fiscal year. This is due to a 6,796 million yen decrease in net defined benefit liability and a 1,182 million yen decrease in accounts payable-other.

Net assets totaled 153,536 million yen, a 1,633 million yen increase from the end of the previous fiscal year. This is mainly due to a 1,445 million yen increase in valuation difference on available-for-sale securities.

(3) Forecast

The full year forecasts for FY2014 (April 1, 2014 -March 31, 2015) were revised on September 25, 2014 as follows:

i) Revision of consolidated forecast (April 1, 2014 - March 31, 2015)

(millions of yen)

		Sales	Operating income	Ordinary income	Net income	Net income per share
		millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous forecast (A)		173,000	6,800	8,300	4,700	76.32
Revised forecast (B)		170,500	5,200	6,800	3,800	61.71
Revision	Change (B-A)	-2,500	-1,600	-1,500	-900	—
	Rate of change (%)	-1.4	-23.5	-18.0	-19.1	—
(For reference) Results of the FY2013		167,745	6,641	8,322	4,448	71.13

ii) Revision of nonconsolidated forecast (April 1, 2014 - March 31, 2015)

(millions of yen)

		Sales	Operating income	Ordinary income	Net income	Net income per share
		millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous forecast (A)		147,000	4,200	7,200	4,400	71.45
Revised forecast (B)		144,300	2,700	5,600	3,400	55.21
Revision	Change (B-A)	-2,700	-1,500	-1,600	-1,000	—
	Rate of change (%)	-1.8	-35.7	-22.2	-22.7	—
(For reference) Results of the FY2013		142,589	3,702	6,795	3,914	62.59

2. Summary Information (Other information)

(1) Changes in significant subsidiaries during the period

None

(2) Adoption of special accounting methods for preparation of consolidated quarterly financial statements

To determine tax expenses for consolidated subsidiaries, a reasonable estimate is made for the effective tax rate after the application of deferred tax accounting for net income before income taxes for the fiscal year, including the first half. Tax expenses are then calculated by multiplying quarterly net income before income taxes by this estimated effective tax rate.

(3) Changes in accounting policies and estimates, and retrospective restatements

Change in accounting policies

Application of accounting standard related to retirement benefits

Duskin adopted Accounting Standard for Retirement Benefits (ASBJ Statement No.26, issued on May 17, 2012, "Accounting Standard for Retirement Benefits" hereafter) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012, "Guidance on Accounting Standard for Retirement Benefits" hereafter), in accordance with regulations in Article 35 of Accounting Standard for Retirement Benefits and Article 67 of Guidance on Accounting Standard for Retirement Benefits, starting with the first quarter of FY2014. We have reviewed the method for calculating retirement benefit obligations and service cost, changed the method for attributing the expected retirement benefits to specific periods of service from the straight-line basis to the benefit formula basis, and changed the method of determining the discount rate from the use of a discount rate based on the number of years closest to the average remaining service life of employees to the use of a single weighted average discount rate based on the estimated period of benefit payments and the estimated amount of payments in each period.

The Accounting Standard and Guidance have been applied in accordance with the transitional treatment stipulated in the Accounting Standard, Paragraph 37, and financial impact resulting from the change in the method for calculating retirement benefit obligations and service cost was added to or deducted from retained earnings at the beginning of the second quarter of FY2014.

As a result, retained earnings decreased 163 million yen and net defined benefit liability increased 254 million yen at the beginning of the second quarter of this fiscal year. The impact on operating income, ordinary income and net income before tax was minimal during the first half of FY2014.

(4) Additional information

During the second quarter of FY 2014, Duskin contributed 7 billion yen in cash to retirement benefit trusts in order to ensure the financial soundness of retirement benefits. As a result, net defined benefit liability decreased by the same amount.

3. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	as of March 31, 2014	as of September 30, 2014
Assets		
Current assets		
Cash and deposits	20,370	14,736
Notes and accounts receivable - trade	10,701	10,288
Lease investment assets	1,610	1,591
Securities	6,500	14,076
Merchandise and finished goods	7,769	9,192
Work in process	164	165
Raw materials and supplies	1,763	1,742
Deferred tax assets	1,980	1,856
Other	2,667	2,806
Allowance for doubtful accounts	-37	-39
Total current assets	53,489	56,417
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,072	42,106
Accumulated depreciation	-24,101	-24,226
Buildings and structures, net	17,970	17,880
Machinery, equipment and vehicles	23,883	24,079
Accumulated depreciation	-17,389	-17,588
Machinery, equipment and vehicles, net	6,494	6,491
Land	24,192	24,192
Construction in progress	466	624
Other	13,281	13,192
Accumulated depreciation	-9,675	-9,878
Other, net	3,606	3,314
Total property, plant and equipment	52,729	52,502
Intangible assets		
Goodwill	600	521
Other	7,784	7,553
Total intangible assets	8,385	8,075
Investments and other assets		
Investment securities	74,968	65,582
Long-term loans receivable	13	12
Deferred tax assets	4,732	3,928
Guarantee deposits	7,249	6,753
Other	1,406	1,323
Allowance for doubtful accounts	-197	-194
Total investments and other assets	88,173	77,405
Total non-current assets	149,289	137,983
Total assets	202,778	194,401

(millions of yen)

	as of March 31, 2014	as of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,818	7,146
Short-term loans payable	33	33
Current portion of long-term loans payable	140	82
Income taxes payable	844	896
Provision for bonuses	3,175	2,762
Provision for point card certificates	438	99
Asset retirement obligations	9	3
Accounts payable - other	7,206	6,024
Guarantee deposit received for rental products-CL	10,203	9,941
Other	4,120	3,862
Total current liabilities	33,991	30,852
Non-current liabilities		
Long-term loans payable	69	35
Net defined benefit liability	15,358	8,562
Asset retirement obligations	582	578
Long-term guarantee deposited	748	738
Long-term accounts payable - other	94	82
Other	30	14
Total non-current liabilities	16,884	10,012
Total liabilities	50,875	40,865
Net assets		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	10,841	10,841
Retained earnings	130,300	130,375
Treasury stock	-3,326	-3,327
Total shareholders' equity	149,167	149,241
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,369	3,815
Foreign currency translation adjustment	-190	-227
Remeasurements of defined benefit plans	-709	-564
Total accumulated other comprehensive income	1,469	3,023
Minority interests	1,265	1,270
Total net assets	151,903	153,536
Total liabilities and net assets	202,778	194,401

(2) Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

(millions of yen)

	Six months April 1, 2013 - September 30, 2013	Six months April 1, 2014 - September 30, 2014
Net sales	83,310	83,631
Cost of sales	46,874	48,982
Gross profit	36,436	34,649
Selling, general and administrative expenses	32,084	32,790
Operating income	4,351	1,858
Non-operating income		
Interest income	487	479
Dividend income	136	131
Rent income on facilities	58	48
Commission fee	128	117
Share of profit of entities accounted for using equity method	—	37
Gain on transfer of goodwill	11	7
Miscellaneous income	312	220
Total non-operating income	1,136	1,041
Non-operating expenses		
Interest expenses	1	0
Share of loss of entities accounted for using equity method	63	—
Compensation expenses	47	28
Loss on cancellation of rental contracts	0	10
Miscellaneous loss	46	45
Total non-operating expenses	160	85
Ordinary income	5,327	2,815
Extraordinary income		
Gain on sales of non-current assets	1	6
Gain on sales of investment securities	—	30
Other	2	0
Total extraordinary income	3	38
Extraordinary losses		
Loss on sales of non-current assets	2	1
Loss on abandonment of non-current assets	28	111
Impairment loss	64	37
Other	3	29
Total extraordinary losses	97	179
Income before income taxes and minority interests	5,233	2,674
Income taxes	2,139	1,184
Income before minority interests	3,093	1,489
Minority interests in income	34	19
Net income	3,059	1,469

Consolidated statements of comprehensive income

(millions of yen)

	Six months April 1, 2013 - September 30, 2013	Six months April 1, 2014 - September 30, 2014
Income before minority interests	3,093	1,489
Other comprehensive income		
Valuation difference on available-for-sale securities	834	1,445
Deferred gains or losses on hedges	-0	―
Foreign currency translation adjustment	53	-0
Remeasurements of defined benefit plans, net of tax	―	143
Share of other comprehensive income of entities accounted for using equity method	32	-34
Total other comprehensive income	919	1,553
Comprehensive income	4,013	3,043
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,957	3,024
Comprehensive income attributable to minority interests	56	19

(3) Notes relating to quarterly consolidated financial statements

(Notes relating to going concern assumption)

None

(Notes on significant changes in shareholders' equity)

None

(Segment information)

I Six-month period (April 1, 2013 - September 30, 2013)

1. Sales, profit/loss by business segment

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses (Note: 1)	Total	Adjustment (Note: 2)	Consolidated total (Note: 3)
Sales						
To outside customers	55,023	22,999	5,286	83,310	—	83,310
Inter-segment sales	480	4	1,355	1,840	-1,840	—
Total	55,503	23,004	6,642	85,150	-1,840	83,310
Segment income/loss	7,512	-144	209	7,578	-3,227	4,351

(Notes) 1. "Other Businesses" are comprised of the businesses, that are not categorized in reportable business segments, including office equipment and vehicle leasing, insurance agent services, hospital management services, and overseas businesses.

2. Segment adjustments of -3,227 million yen include a 0 million yen elimination for inter-segment sales and transfers and -3,227 million yen of corporate expenses that cannot be allocated to a particular business segment.

3. Segment operating income/loss has been adjusted for consistency with operating income that is shown in the quarterly consolidated statements of income.

2. Impairment loss of non-current assets or goodwill by business segment

(Significant impairment loss on non-current assets)

None

(Significant change on the amount of goodwill)

There were no significant events that significantly affected the amount of goodwill during the second quarter ended September 30, 2013.
The amortization of goodwill during the second quarter and the balance of goodwill at the end of second quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	55	44	—	—	99
Balance (Note)	276	245	—	—	521

(Note) The balance of goodwill at the end of the second quarter includes 340 million yen of goodwill in Clean & Care Group resulting from the purchase by the Company and its subsidiaries of the business operations of several franchisees and 303 million yen of goodwill in Food Group for Hachiya Dairy Products Co., Ltd., which was acquired in May 2012.

(Significant gains on negative goodwill)

None

II Six-month period (April 1, 2014 - September 30, 2014)

1. Sales, profit/loss by business segment

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses (Note: 1)	Total	Adjustment (Note: 2)	Consolidated total (Note: 3)
Sales						
To outside customers	54,137	24,187	5,306	83,631	—	83,631
Inter-segment sales	482	2	1,340	1,825	-1,825	—
Total	54,619	24,189	6,647	85,457	-1,825	83,631
Segment income/loss	5,097	-485	154	4,765	-2,907	1,858

(Notes) 1. "Other Businesses" are comprised of the businesses, that are not categorized in reportable business segments, including office equipment and vehicle leasing, insurance agent services, hospital management services, and overseas businesses.
2. Segment adjustments of -2,907 million yen include a 7 million yen elimination for inter-segment sales and transfers and -2,915 million yen of corporate expenses that cannot be allocated to a particular business segment.
3. Segment operating income/loss has been adjusted for consistency with operating income that is shown in the quarterly consolidated statements of income.

2. Impairment loss of non-current assets or goodwill by business segment

(Significant impairment loss on non-current assets)

None

(Significant change on the amount of goodwill)
There were no significant events that significantly affected the amount of goodwill during the second quarter ended September 30, 2014.
The amortization of goodwill during the second quarter and the balance of goodwill at the end of second quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	74	41	—	—	115
Balance (Note)	354	311	—	—	666

(Note) The balance of goodwill at the end of the second quarter includes 271 million yen of goodwill in Clean & Care Group resulting from the purchase by the Company and its subsidiaries of the business operations of several franchisees and 222 million yen of goodwill in Food Group for Hachiya Dairy Products Co., Ltd., which was acquired in May 2012.

(Significant gains on negative goodwill)

None