# Summary of Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2016 (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.

January 29, 2016


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, Senior Executive Director Phone: (06) 6821-5071


Scheduled date of filing quarterly report: February 12, 2016
Scheduled date of dividend payment: -
Preparation of supplemental explanatory materials: No
Holding of quarterly financial results meeting: No

(Amounts less than one million yen are dropped.)

## 1. Consolidated financial results for the period from April 1, 2015 - December 31, 2015

### (1) Results of operation

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

| | Sales | | Operating income | | Ordinary income | | Net income attributable to shareholders of parent | |
|---|---|---|---|---|---|---|---|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % |
| 9 months ended Dec. 31, 2015 | 125,267 | -2.3 | 4,503 | 8.7 | 5,629 | -3.2 | 3,824 | 12.5 |
| 9 months ended Dec. 31, 2014 | 128,201 | 0.2 | 4,141 | -33.9 | 5,814 | -23.5 | 3,398 | -19.5 |

(Note) Comprehensive income: Dec. 31, 2015: 7,135 million yen (26.3%) Dec. 31, 2014: 5,649 million yen (-12.3%)

| | Net income per share | Net income per share (fully diluted) |
|---|---|---|
| | yen | yen |
| 9 months ended Dec. 31, 2015 | 66.32 | — |
| 9 months ended Dec. 31, 2014 | 55.31 | — |

### (2) Financial position

| | Total assets | Net assets | Ratio of equity to total assets |
|---|---|---|---|
| | millions of yen | millions of yen | % |
| As of Dec. 31, 2015 | 188,559 | 149,474 | 78.7 |
| As of Mar. 31, 2015 | 198,475 | 155,196 | 77.6 |

(Reference) Shareholders' equity: Dec. 31, 2015: 148,452 million yen Mar. 31, 2015: 154,038 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, 2015 | — | 20.00 | — | 20.00 | 40.00 |
| Year ending Mar. 31, 2016 | — | 20.00 | | | |
| Year ending Mar. 31, 2016 (Forecast) | | | — | 20.00 | 40.00 |

(Note) Revision of forecast for dividend recently announced: None

## 3. Forecast of consolidated financial results for the FY2015 (April 1, 2015 - March 31, 2016)

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

| | Sales | | Operating income | | Ordinary income | | Net income attributable to shareholders of parent | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % | yen |
| Year ending Mar. 31, 2016 | 165,000 | -1.8 | 5,300 | 4.6 | 6,800 | -4.0 | 3,700 | 7.5 | 66.61 |

(Note) Revision of forecast for consolidated financial results recently announced: Yes

***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
(Please refer to page 5, 2. Summary information (Other information) (3) Changes in accounting policies and estimates, and retrospective restatements.)

(4) Number of shares issued (Common stock)

| | | | | |
|---|---|---|---|---|
| 1) Number of shares issued at the end of the period (including treasury stock) | 9 months ended Dec. 31, 2015 | 63,494,823 | Year ended Mar. 31, 2015 | 63,494,823 |
| 2) Number of treasury stock at the end of the period | 9 months ended Dec. 31, 2015 | 7,948,492 | Year ended Mar. 31, 2015 | 2,947,257 |
| 3) Average number of shares during the period | 9 months ended Dec. 31, 2015 | 57,665,057 | 9 months ended Dec. 31, 2014 | 61,447,591 |

* 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 period from April 1- December 31, 2015, Japan's economy recovered due to an improvement in the employment and income situation. However, the economic outlook remains unclear due to a concern about a slowdown in the Chinese economy. With increasingly diversifying consumer needs and personal spending lacking vigor, our business climate continued to be challenging as competition with other business sectors is becoming more intense.

Under these circumstances, Duskin has initiated our ONE DUSKIN plan with an aim to unite all Duskin businesses so as to serve our customers in a more effective and hospitable manner. In line with this plan, we have started various initiatives of the first phase of ONE DUSKIN, Medium-term Management Policy 2015. Clean & Care Group started its initiatives to transform our businesses into a hygiene management service provider. Included in our initiatives are training Hygiene Master professionals with sanitary management expertise, and receiving technical service orders via Amazon Reform Store through cooperation with Amazon co. jp. Food Group started to rebuild the Mister Donut brand as competition with convenience stores, donut specialty stores and other business sectors becomes increasingly intense. Mister Donut launched new concept shops to continue to deliver new value in an enjoyable and exciting setting while making the most of Mister Donut's strength in offering fresh home-made donuts. Under this concept, Mister Donut started remodeling existing stores. Food Group also focuses its efforts on developing new businesses that can become the next pillars following Mister Donut. In line with these efforts, we opened Pie Face stores, a cafe chain specializing in meat pies and coffee.

Clean & Care Group posted steady growth although the growth slightly slowed during the third quarter. However, Food Group recorded lower sales. As a result, consolidated sales were 125,267 million yen, a 2.3% decrease from one year earlier. As for earnings, Clean & Care Group recorded significantly higher income. As a result, consolidated operating income was 4,503 million yen, an 8.7% increase from one year earlier, consolidated ordinary income was 5,629 million yen, a 3.2% decrease, and profit attributable to owners of parent was 3,824 million yen, a 12.5% increase.

(millions of yen)

| | 9 months ended December 31, 2014 | 9 months ended December 31, 2015 | Increase/decrease | |
|---|---|---|---|---|
| | | | | % |
| Consolidated sales | 128,201 | 125,267 | -2,933 | -2.3% |
| Consolidated operating income | 4,141 | 4,503 | 362 | 8.7% |
| Consolidated ordinary income | 5,814 | 5,629 | -184 | -3.2% |
| Quarter net income attributable to parent company shareholders | 3,398 | 3,824 | 425 | 12.5% |

*Starting with the first 9 months of FY2015, Duskin adopted Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013) and net income is reported as profit attributable to owners of parent.

[Results by business segment]

1) Clean & Care Group

Sales of dust control products, the core products of this segment, were about the same as in the same period of the previous year. However, sales of non-rental products decreased during the third quarter. As a result, total sales of dust control products were lower than in the same period of the previous year. Sales of the Clean & Care Group totaled 84,092 million yen, a 650 million yen (0.8%) increase, due to favorable results at other businesses and Rent-All, which rents daily commodities and equipment for various events.

Operating income totaled 10,328 million yen, a 20.5% increase from one year earlier. This is mainly due to higher sales, the lower cost for *Style Cleaner* (a new type of electrically-powered dust cleaner placed on the floor) and expenses in the previous year for the regional conventions held for our sales representatives across Japan.

(millions of yen)

| | 9 months ended December 31, 2014 | 9 months ended December 31, 2015 | Increase/decrease | |
|---|---|---|---|---|
| | | | | % |
| Sales | 83,441 | 84,092 | 650 | 0.8% |
| Operating income | 8,572 | 10,328 | 1,756 | 20.5% |

For residential customers, we focused on further promoting a handy, easy and healthy cleaning method with an economical set of three cleaning items: the *LaLa* floor mop, the *shushu* handy mop, and the *Style Cleaner*. However, sales of other mop products were significantly lower. As a result, sales of dust control products for residential customers were lower than in the same period of the previous year.

Looking at sales by product, *Cleaning Basic Three* posted significantly higher sales, but sales of other mop products were lower. Non-rental products such as *Clean-Living Box* and deodorizing air fresheners, filter products and water purifiers recorded lower sales. The popular *Kitchen Sponge* continued to produce a significant sales increase over the same period of the previous year after the product renewal this year.

Among dust control products for commercial customers, we focused on the promotion of our Inside custom-made indoor use mats, which are unrivaled in design and quality by our competitors. However, the total sales of mat products were lower. As a result, sales of dust control products for commercial customers were lower.

Looking at sales by product, our original highly functional mats, such as custom-made indoor use mats and thin dust control and water absorption mats as well as *Basic Mat*, the core product of this line, posted higher sales. However, custom-made mats and other mat products posted lower sales. Among other products, *Cube*, a new deodorizer released in the previous year posted lower sales. *Office Drink/Snack Service*, which was introduced as a new service to gain more access to commercial customers, offers convenient drinks and snacks for office workers. Sales of *Office Drink/Snack Service* grew steadily.

In the technical services sector, we increased the workforce to meet growing market needs. As a result, customer-level sales and royalties increased. In addition, equipment and chemical sales recovered. As a result, the technical services sector recorded higher sales than one year earlier.

2) Food Group

With shop openings in new food businesses, sales of company owned shops increased. However, Mister Donut customer-level sales decreased, which led to a decrease in royalty fees and raw material sales to our franchisees. As a result, sales of Food Group were 32,988 million yen, a 10.4% (3,827 million yen) decrease from one year earlier. While expenses decreased due to a reduction in promotional expenses and the reduced disposal of raw materials, Food Group recorded a 1,103 million yen operating loss a 1,025 million yen increase compared with the 78 million yen operating loss in the same period of FY2014.

(millions of yen)

| | 9 months ended December 31, 2014 | 9 months ended December 31, 2015 | Increase/decrease | |
|---|---|---|---|---|
| | | | | % |
| Sales | 36,816 | 32,988 | -3,827 | -10.4% |
| Operating income | -78 | -1,103 | -1,025 | — |

Since major convenience stores are aggressively working on donut sales, Mister Donut is focusing this fiscal year on high-value added products and seasonal products that are available only at Mister Donut shops. During the first quarter, Mister Donut released *Brooklyn Merry-go-Round*, a hybrid donut combining a cookie and bagel. *Cotton Snow Candy*, an icy dessert, which was well received last year, was renewed and released this year. During the second quarter, Mister Donut continued to introduce new items: *Mister Summer Donut*, which is also good when chilled; and a seasonal item, *Chestnut Donut*. During the third quarter, *Pon De Chou Donut* with distinctive texture was released, and offered in a specially designed box for the Halloween. During the Christmas season, Mister Donut released *Mister Paris-Brest*, an arrangement of traditional French confectionery items. However, these new products were not as appealing in value and customer interest as the products introduced in the previous year. The sales promotions for these new products were not appealing enough for customers to visit Mister Donut shops. In addition, the number of shops decreased due to the closures of underperforming shops. As a result, total sales of the nine month period were significantly lower than in the same period of the previous year.

As Food Group focused its efforts on developing new businesses that can become the next pillars following Mister Donut, other food businesses posted higher sales mainly due to the increased number of shops/restaurants. Katsu and Katsu pork cutlet restaurants, popular among people of all ages, continued to achieve favorable results, and opened a new restaurant in Seika-cho, Soraku-gun, Kyoto in November. Bakery Factory, a large suburban bakery shop, opened a shop in Midorigaoka, Toyonaka, Osaka in July. Chiffon & Spoon, a chiffon cake specialty shop, opened a location at the Cocoon City shopping mall in Saitama in April. Also, an Australian cafe chain, Pie Face stores opened in Kawasaki in October and Shibuya, Tokyo in November.

3) Other Businesses

Sales of Other Businesses were 8,186 million yen, a 243 million yen (3.1%) increase from the same period of the previous year. This is mainly due to the favorable results at Duskin Hong Kong. Duskin Hong Kong which procures raw materials and equipment, increased its sales due to higher demand for paper towels in Japan and the weaker yen. As for earnings, overseas subsidiaries recorded a 167 million yen operating loss, a 207 million yen decrease (519.4%) from the previous year. This is mainly due to adjusting the recognition of goods in transit for the different fiscal year-end of a subsidiary. Duskin Kyoeki, a leasing and insurance company, recorded lower sales and income. Duskin Healthcare, which provides management services to medical facilities, recorded higher sales and lower income.

(millions of yen)

| | 9 months ended December 31, 2014 | 9 months ended December 31, 2015 | Increase/decrease | |
|---|---|---|---|---|
| | | | | % |
| Sales | 7,943 | 8,186 | 243 | 3.1% |
| Operating income | 39 | -167 | -207 | -519.4% |

Clean & Care Businesses posted higher customer-level sales than one year earlier in Taiwan, China and South Korea. Sales of dust control products for the residential market in Shanghai steadily increased. Mister Donut recorded higher customer-level sales from one year earlier in Taiwan, South Korea, and Malaysia. Sales decreased in Thailand and the Philippines, where economic growth slowed down. In China, sales per shop increased, but the total customer-level sales were lower due to the smaller number of shops. Mister Donut grew steadily in Indonesia, where the first shop opened in May 2015.

Segment sales do not include consumption tax.

(2) Financial Position

At the end of third quarter of FY2015, total assets amounted to 188,559 million yen, a 9,916 million yen decrease compared with the end of the previous fiscal year. This is mainly due to a 7,038 million yen decrease in marketable securities, a 2,383 million yen decrease in deferred tax assets, and 1,348 million yen decrease in investment securities.

Liabilities amounted to 39,084 million yen, a 4,195 million yen decrease from the end of the previous fiscal year. This is mainly attributable to a 1,579 million yen decrease in provision for bonuses, and a 1,515 million yen decrease in current liabilities-other; and a 1,122 million yen decrease in income taxes payable because of declines in accrued consumption taxes and deposits.

Net assets totaled 149,474 million yen, a 5,721 million yen decrease from the end of the previous fiscal year. This is mainly due to a 3,325 million yen increase in valuation difference on available-for-sale securities, a 1,470 million yen increase in retained earnings and a decrease of 10,506 million yen as a result of the purchase of treasury stock.

(3) Forecast

The following revisions have been made to the forecast for consolidated results of operations for FY2015 (April 1, 2015 - March 31, 2016) on January 29, 2016.

(Consolidated)

(millions of yen, %)

| | Year ending March 31, 2016 (forecast) | | | Year ended March 31, 2015 (actual) | |
|---|---|---|---|---|---|
| | | % | change (%) | | % |
| Sales | 165,000 | 100.0 | -1.8 | 167,987 | 100.0 |
| Operating income | 5,300 | 3.2 | 4.6 | 5,067 | 3.0 |
| Ordinary income | 6,800 | 4.1 | -4.0 | 7,083 | 4.2 |
| Net income attributable to shareholders of parent | 3,700 | 2.2 | 7.5 | 3,441 | 2.0 |

(Non-consolidated)

(millions of yen, %)

| | Year ending March 31, 2016 (forecast) | | | Year ended March 31, 2015 (actual) | |
|---|---|---|---|---|---|
| | | % | change (%) | | % |
| Sales | 138,000 | 100.0 | -2.5 | 141,580 | 100.0 |
| Operating income | 3,200 | 2.3 | 6.6 | 3,002 | 2.1 |
| Ordinary income | 6,000 | 4.3 | -2.7 | 6,167 | 4.4 |
| Net income | 3,600 | 2.6 | 6.1 | 3,394 | 2.4 |

(Note) This forecast is based on projections and assumptions made using information available at the time of the announcement. These projections and assumptions are subject to the uncertainties inherent in future business operations. Actual results may differ materially, depending on various factors.

## 2. Summary Information (Other information)

(1) Changes in significant subsidiaries during the period

None

(2) Adoption of special accounting methods for preparation of quarterly consolidated 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 and minority interests for the fiscal year, including the third quarter. Tax expenses are then calculated by multiplying quarterly net income before income taxes and minority interests by this estimated effective tax rate.

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

Changes in accounting policies

(Application of accounting standard related to business combination)

Effective from the first quarter of FY2015, Duskin adopted Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013), and Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013). Accordingly, the accounting method was changed to record the difference arising from changes in equity in subsidiaries which Duskin continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which they occurred. Regarding business combinations which became or will become effective on or after April 1, 2015, the accounting method was changed to reflect adjustments to the amount allocated to acquisition cost under provisional accounting treatment on the consolidated financial statements of the quarter in which the relevant business combination became or will become effective. In addition, the net income and other statements have been changed accordingly, and minority interest has been changed to non-controlling interest. To reflect these changes, Duskin has revised the financial statements for the third quarter of the previous consolidated fiscal year and the previous consolidated fiscal year.

The Business Combinations Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in Article 58-2 (3) of the Business Combinations Accounting Standard, Article 44-5 (3) of the Consolidation Accounting Standard and Article 57-4 (3) of the Business Divestitures Accounting Standard. The cumulative effects arising from the retroactive application of these new accounting policies to all previous fiscal years were added to or deducted from capital surplus and retained earnings as of April 1, 2015.

As a result, goodwill decreased by 39 million yen, capital surplus decreased by 6 million yen and retained earnings decreased by 32 million yen as of April 1, 2015. In addition, operating income, ordinary income and net income before taxes and minority interests for the third quarter of FY2015 increased by 13 million yen, each.

# 3. Consolidated financial statements

## (1) Consolidated balance sheets

(millions of yen)

| | As of March 31, 2015 | As of December 31, 2015 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 20,817 | 20,254 |
| Notes and accounts receivable - trade | 10,201 | 11,142 |
| Lease investment assets | 1,549 | 1,502 |
| Securities | 21,564 | 14,526 |
| Merchandise and finished goods | 8,104 | 7,531 |
| Work in process | 158 | 142 |
| Raw materials and supplies | 1,292 | 1,302 |
| Deferred tax assets | 1,801 | 1,142 |
| Other | 2,270 | 3,883 |
| Allowance for doubtful accounts | -33 | -51 |
| Total current assets | 67,727 | 61,378 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 42,495 | 44,377 |
| Accumulated depreciation | -24,641 | -25,469 |
| Buildings and structures, net | 17,853 | 18,907 |
| Machinery, equipment and vehicles | 23,577 | 24,057 |
| Accumulated depreciation | -17,053 | -17,562 |
| Machinery, equipment and vehicles, net | 6,524 | 6,495 |
| Land | 24,192 | 24,192 |
| Construction in progress | 1,067 | 511 |
| Other | 12,740 | 13,034 |
| Accumulated depreciation | -9,417 | -9,865 |
| Other, net | 3,322 | 3,168 |
| Total property, plant and equipment | 52,960 | 53,275 |
| Intangible assets | | |
| Goodwill | 425 | 395 |
| Other | 7,731 | 7,744 |
| Total intangible assets | 8,156 | 8,140 |
| Investments and other assets | | |
| Investment securities | 59,417 | 58,069 |
| Long-term loans receivable | 10 | 8 |
| Deferred tax assets | 2,383 | — |
| Guarantee deposits | 6,479 | 6,433 |
| Other | 1,532 | 1,397 |
| Allowance for doubtful accounts | -193 | -145 |
| Total investments and other assets | 69,630 | 65,764 |
| Total non-current assets | 130,748 | 127,180 |
| Total assets | 198,475 | 188,559 |

(millions of yen)

| | As of March 31, 2015 | As of December 31, 2015 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,915 | 7,094 |
| Current portion of long-term loans payable | 30 | 4 |
| Income taxes payable | 1,392 | 269 |
| Provision for bonuses | 3,270 | 1,690 |
| Asset retirement obligations | 5 | 4 |
| Accounts payable - other | 6,957 | 7,059 |
| Guarantee deposit received for rental products | 9,887 | 9,950 |
| Other | 5,567 | 4,051 |
| Total current liabilities | 34,026 | 30,125 |
| Non-current liabilities | | |
| Long-term loans payable | 20 | 17 |
| Net defined benefit liability | 7,839 | 7,426 |
| Asset retirement obligations | 577 | 621 |
| Long-term guarantee deposited | 732 | 780 |
| Long-term accounts payable - other | 82 | 74 |
| Deferred tax liabilities | — | 37 |
| Other | 0 | 0 |
| Total non-current liabilities | 9,253 | 8,958 |
| Total liabilities | 43,279 | 39,084 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 11,352 | 11,352 |
| Capital surplus | 10,841 | 10,834 |
| Retained earnings | 131,115 | 132,585 |
| Treasury shares | -5,170 | -15,676 |
| Total shareholders' equity | 148,139 | 139,095 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,944 | 9,270 |
| Deferred gains or losses on hedges | — | 0 |
| Foreign currency translation adjustment | 32 | -42 |
| Remeasurements of defined benefit plans | -78 | 128 |
| Total accumulated other comprehensive income | 5,899 | 9,357 |
| Non-controlling interests | 1,157 | 1,021 |
| Total net assets | 155,196 | 149,474 |
| Total liabilities and net assets | 198,475 | 188,559 |

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

Consolidated statements of income

(millions of yen)

| | Nine months<br>April 1, 2014 – December 31, 2014 | Nine months<br>April 1, 2015 – December 31, 2015 |
|---|---|---|
| Net sales | 128,201 | 125,267 |
| Cost of sales | 75,374 | 72,262 |
| Gross profit | 52,826 | 53,005 |
| Selling, general and administrative expenses | 48,685 | 48,502 |
| Operating income | 4,141 | 4,503 |
| Non-operating income | | |
| Interest income | 716 | 450 |
| Dividend income | 225 | 264 |
| Rent income on facilities | 72 | 71 |
| Commission fee | 161 | 179 |
| Share of profit of entities accounted for using equity method | 18 | 92 |
| Gain on transfer of goodwill | 7 | — |
| Gain on redemption of investment securities | 300 | — |
| Miscellaneous income | 301 | 331 |
| Total non-operating income | 1,801 | 1,390 |
| Non-operating expenses | | |
| Interest expenses | 0 | 0 |
| Compensation expenses | 42 | 116 |
| Loss on cancellation of leasehold contracts | 16 | 0 |
| Commission for purchase of treasury shares | 1 | 44 |
| Miscellaneous loss | 67 | 103 |
| Total non-operating expenses | 128 | 264 |
| Ordinary income | 5,814 | 5,629 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 9 | 4 |
| Gain on sales of investment securities | 45 | 559 |
| Gain on bargain purchase | — | 50 |
| Other | 6 | 14 |
| Total extraordinary income | 61 | 629 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 6 | 4 |
| Loss on abandonment of non-current assets | 167 | 235 |
| Impairment loss | 37 | 130 |
| Loss on liquidation of subsidiaries and associates | — | 115 |
| Other | 29 | 0 |
| Total extraordinary losses | 240 | 486 |
| Income before income taxes and minority interests | 5,635 | 5,772 |
| Income taxes | 2,252 | 2,132 |
| Profit | 3,382 | 3,640 |
| Loss attributable to non-controlling interests | -16 | -184 |
| Profit attributable to owners of parent | 3,398 | 3,824 |

(Consolidated statements of comprehensive income)

(millions of yen)

| | Nine months<br>April 1, 2014 – December 31, 2014 | Nine months<br>April 1, 2015 – December 31, 2015 |
|---|---|---|
| Profit | 3,382 | 3,640 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,970 | 3,325 |
| Deferred gains or losses on hedges | — | 0 |
| Foreign currency translation adjustment | 62 | 50 |
| Remeasurements of defined benefit plans, net of tax | 215 | 204 |
| Share of other comprehensive income of entities accounted for using equity method | 17 | -86 |
| Total other comprehensive income | 2,266 | 3,495 |
| Comprehensive income | 5,649 | 7,135 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,650 | 7,282 |
| Comprehensive income attributable to non-controlling interests | -1 | -146 |

(3) Notes to consolidated financial statements

(Notes relating to going concern assumption)

None

(Notes on significant changes in shareholders' equity)

At the end of third quarter of FY2015, shareholders' equity was 9,043 million yen less than at the end of the previous fiscal year.

This is mainly due to a 3,824 million yen increase in retained earnings along with higher profit attributable to owners of parent, a 2,321 million yen decrease in retained earnings due to a dividend payment, and a 10,506 million yen increase in treasury stock.

Following the authorization by the Board of Directors at its meeting on May 15, 2015, 3,764,000 shares of Duskin stock were repurchased at a cost of 7,539 million yen through a tender offer. In addition, 1,236,100 shares of Duskin stock were repurchased using stock market transactions at a cost of 2,964 million yen, following the authorization by the Board of Directors at its meeting on July 30, 2015.

(Segment information)

I Nine-month period (April 1, 2014 – December 31, 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 | 83,441 | 36,816 | 7,943 | 128,201 | — | 128,201 |
| Inter-segment sales | 731 | 4 | 2,197 | 2,932 | -2,932 | — |
| Total | 84,173 | 36,820 | 10,140 | 131,134 | -2,932 | 128,201 |
| Segment income/loss | 8,572 | -78 | 39 | 8,533 | -4,392 | 4,141 |

(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 -4,392 million yen include a 15 million yen elimination for inter-segment sales and transfers and -4,408 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 third quarter ended December 31, 2014.
The amortization of goodwill during the third quarter and the balance of goodwill at the end of third quarter are as follows:

(millions of yen)

| | Clean & Care Group | Food Group | Other Businesses | Elimination or corporate | Consolidated total |
|---|---|---|---|---|---|
| Amortization - Goodwill | 84 | 66 | ― | ― | 150 |
| Balance (Note) | 253 | 223 | ― | ― | 476 |

(Note) The balance of goodwill at the end of the third quarter includes 249 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 202 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 Nine-month period (April 1, 2015 – December 31, 2015)

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 | 84,092 | 32,988 | 8,186 | 125,267 | ― | 125,267 |
| Inter-segment sales | 728 | 6 | 2,025 | 2,760 | -2,760 | ― |
| Total | 84,821 | 32,995 | 10,211 | 128,028 | -2,760 | 125,267 |
| Segment income/loss | 10,328 | -1,103 | -167 | 9,057 | -4,553 | 4,503 |

(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 loss adjustments of 4,553 million yen include a 24 million yen elimination for inter-segment sales and transfers and -4,578 million yen expenses 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 noncurrent assets or goodwill by business segment

(Significant impairment loss on noncurrent assets)

None

(Significant change on the amount of goodwill)

There was no significant event that significantly affected the amount of goodwill during the third quarter of FY2015. The amortization of goodwill during the third quarter of FY2015 and the balance of goodwill at the end of the third quarter are as follows:

(millions of yen)

| | Clean & Care Group | Food Group | Other Businesses | Elimination or corporate | Consolidated total |
|---|---|---|---|---|---|
| Amortization - Goodwill | 97 | 52 | ― | ― | 150 |
| Balance (Note) | 287 | 108 | ― | ― | 395 |

(Note) The balance of goodwill at the end of the third quarter includes 287 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 95 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