

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2014

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.

May 14, 2014  
Shares listed: Tokyo

Company name: Duskin Co., Ltd.  
Code number: 4665 URL: <http://www.duskin.co.jp/corp/index.html>  
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Scheduled date of ordinary general meeting of shareholders: June 20, 2014  
Scheduled date of dividend payment commencement: June 23, 2014  
Scheduled date for release of annual securities report: June 23, 2014  
Preparation of supplemental explanatory materials: Yes  
Holding of financial results meeting: Yes (for institutional investors and analysts)

### 1. Consolidated financial results for the fiscal year ended March 31, 2014

(Amounts less than one million yen are dropped.)

#### (1) Results of operation

(Percentages indicate the change against the previous fiscal year.)

	Sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Year ended Mar. 31, 2014	167,745	-0.2	6,641	-27.8	8,322	-24.5	4,448	-27.0
Year ended Mar. 31, 2013	168,163	-1.7	9,197	-6.5	11,027	-5.0	6,092	32.9

(Note: Comprehensive income - Year ended March 31, 2014: 6,246 million yen (-31.3%), Year ended March 31, 2013: 9,095 million yen (70.9%))

	Net income per share	Net income per share (fully diluted)	Return on average equity	Ratio of ordinary income to total assets	Ratio of operating income to sales
	yen	yen	%	%	%
Year ended Mar. 31, 2014	71.13	-	2.9	4.1	4.0
Year ended Mar. 31, 2013	95.15	-	4.1	5.5	5.5

(Reference: Equity in net income and losses of affiliated companies - Year ended March 31, 2014: -119 million yen, Year ended March 31, 2013: -109 million yen)

#### (2) Financial positions

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
As of Mar. 31, 2014	202,778	151,903	74.3	2,446.24
As of Mar. 31, 2013	202,375	152,811	75.1	2,407.88

(Reference: Shareholders' equity - Year ended March 31, 2014: 150,637 million yen, Year ended March 31, 2013: 151,891 million yen)

#### (3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	millions of yen	millions of yen	millions of yen	millions of yen
Year ended Mar. 31, 2014	12,086	-14,004	-6,553	19,775
Year ended Mar. 31, 2013	16,269	-6,864	-5,980	28,171

### 2. Dividends

	Dividends per share					Total dividends (annual)	Dividend ratio (consolidated)	Ratio of dividends to shareholders' equity (consolidated)
	end of 1st Q	end of 2nd Q	end of 3rd Q	Year-end	Total (annual)			
	yen	yen	yen	yen	yen	millions of yen	%	%
Year ended Mar. 31, 2013	-	20.00	-	20.00	40.00	2,547	42.0	1.7
Year ended Mar. 31, 2014	-	40.00	-	20.00	60.00	3,734	84.4	2.5
Year ending Mar. 31, 2015 (Forecast)	-	20.00	-	20.00	40.00		52.4	

(Note: Dividends to be paid at the end of second quarter: ordinary dividend 20 yen, commemorative dividend 20 yen)

### 3. Forecast of consolidated financial results for the year ending 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
6 months ending Sept. 30, 2014	83,500	0.2	2,100	-51.7	3,000	-43.7	1,500	-51.0	24.36
Year ending Mar. 31, 2015	173,000	3.1	6,800	2.4	8,300	-0.3	4,700	5.7	76.32

**\*Notes**

(1) Changes in significant subsidiaries during the period

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

(2) Changes in accounting principles 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

(Note: For more information, see "3. Consolidated financial statements, (5) Notes to consolidated financial statements (Changes in accounting principles)" on page 18 (attachment).)

(3) Number of shares issued (Common stock)

1. Number of shares issued at the end of period (including treasury stock)	Year ended Mar. 31, 2014:	63,494,823	Year ended Mar. 31, 2013:	64,994,823
2. Number of treasury stock at the end of the period	Year ended Mar. 31, 2014:	1,915,897	Year ended Mar. 31, 2013:	1,913,819
3. Average number of shares during the period	Year ended Mar. 31, 2014:	62,541,495	Year ended Mar. 31, 2013:	64,030,730

**(Reference) Overview of the non-consolidated financial results**

**1. Non-consolidated financial results for the fiscal year ended March 31, 2014**

(1) Results of operations

(Percentages indicate the change against the previous fiscal year.)

	Sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Year ended Mar. 31, 2014	142,589	-1.8	3,702	-42.1	6,795	-28.1	3,914	-21.6
Year ended Mar. 31, 2013	145,275	-3.2	6,399	-7.6	9,446	-8.4	4,995	12.8

	Net income per share	Net income per share (fully diluted)
	yen	yen
Year ended Mar. 31, 2014	62.59	-
Year ended Mar. 31, 2013	78.01	-

(2) Financial positions

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
As of Mar. 31, 2014	186,295	131,635	70.7	2,137.68
As of Mar. 31, 2013	187,960	133,622	71.1	2,118.27

(Reference: Shareholders' equity - Year ended March 31, 2014: 131,635 million yen, Year ended March 31, 2013: 133,622 million yen)

**2. Forecast of financial results for the year ending 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
6 months ending Sept. 30, 2014	70,200	-0.8	900	-67.5	2,800	-41.7	1,800	-42.6	29.23
Year ending Mar. 31, 2015	147,000	3.1	4,200	13.4	7,200	6.0	4,400	12.4	71.45

\* Implementation status of audit procedures

This summary of financial statements is exempt from the audit procedures required by the Financial Instruments and Exchange Act.

Audit procedures 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. Accordingly, readers are advised that actual results may differ significantly from the forecast.

Contents of attachment:

1. Analysis of business results and financial position .....	2
(1) Analysis of business results.....	2
(2) Outlook for the next fiscal year .....	4
(3) Financial position .....	5
(4) Basic policies regarding distribution of profits and dividends for the current and following fiscal years.....	6
2. Management policy .....	7
(1) Management guidelines and medium-to long-term management plan .....	7
(2) Financial goals .....	7
(3) Key initiatives .....	7
3. Consolidated financial statements .....	10
(1) Consolidated balance sheets .....	10
(2) Consolidated statements of income & consolidated statements of comprehensive income .....	12
(Consolidated statements of income) .....	12
(Consolidated statements of comprehensive income) .....	13
(3) Consolidated statements of changes in net assets .....	14
(4) Consolidated statements of cash flows .....	16
(5) Notes to consolidated financial statements .....	18
(Notes relating to going concern assumption) .....	18
(Changes in accounting principles) .....	18
(Segment information) .....	18
(Per share information) .....	21
(Important post-balance sheet events) .....	21
4. Others .....	22

## 1. Analysis of business results and financial position

### (1) Analysis of business results

The Japanese economy during fiscal year 2013 (April 1, 2013 to March 31, 2014) recovered as various government economic measures led to improved corporate earnings. However, the outlook is still unclear due to fears of a downturn caused by the higher cost of raw materials, a downturn in overseas economies, and the April 2014 consumption tax hike.

Under these circumstances, we celebrated our 50th anniversary this year. Since the beginning of this fiscal year, we have been conducting, through joint efforts with our franchisees, Thank-you Campaigns to show our appreciation to customers for their patronage over the years. At the same time, we continued our initiatives aligned with the Medium-term Management Policy to promote our business system innovation so that more customers can enjoy our services and products.

The Clean & Care Business, which provides cleaning tools and technical services to customers, has focused its efforts on increasing contact with customers, which has been decreasing due to the growing number of double-income households and the automatically lockable door system at the entrances of apartment buildings. Mister Donut focused its efforts on pursuing better tasting products that are safe and reliable.

As a result, consolidated sales were 167,745 million yen, a 0.2% lower than the previous year. Earnings decreased from the previous year due to 50th Anniversary related expenses, up-front costs associated with the new mat product introduction, and a significant operating loss in the Food Group. Consolidated operating income was 6,641 million yen (27.8% down), ordinary income 8,322 million yen (24.5% down), and net income 4,448 million yen (27.0% down).

#### <Results by business segment>

##### 1) Clean & Care Group

Clean & Care Group, our core business, recorded higher sales from one year earlier. The Dust Control business recorded slightly lower sales. But technical services, including the housekeeping service, posted higher sales by better responding to customers' needs with a larger number of franchised units and employees.

In the residential market, the Dust Control business conducted many "Try Me Festival" promotional events at shopping malls and other locations across Japan to increase customer contact, in addition to sales visits. Through these events, we promoted a new, easy but thorough cleaning style, using a floor mop, Lala and a handy mop, shushu. Both are stylish products with excellent performance. This cleaning style also uses Dust Cleaner, which is an electric dust box placed on the floor that allows easily removing dust collected by floor mops. At these event sites, we conducted cleaning demonstrations. Customers were encouraged to see how dust is removed by our products and to experience the effectiveness and ease of use of our products. Due to the success of these events, the rental sales of these products increased. In addition, kitchen sponges featuring character designs performed well. We introduced the Rose Selection, a more elegant and luxurious product line that is upgraded from our existing cleansers and other items. Rose Selection items packaged in the Clean-Living Box, which we offer specially for the year-end cleaning season, were well received among female customers and contributed to sales growth. However, total sales of Dust Control products were lower than in the previous year due to lower sales of handy mops and other items.

In the commercial market of the Dust Control business, a recovery was expected since the decline in sales was stemmed during the previous year. We continued our sales efforts to offer comprehensive solutions tailored to meet customer needs by combining the rental of cleaning tools with cleaning, pest control and hygiene control services. We also concentrated on improving relationships with our customers through repeated visits by developing a sales structure to enhance combined sales efforts by the Duskin Head Office and our franchisees. Orders for the products and services with a focus of comprehensive solutions steadily increased. However, there was no recovery in sales of mat products, the main products of this segment, and other dust control products for commercial customers as sales were lower than one year earlier.

Almost all service menus of the technical services for the residential market, including air-conditioner cleaning, kitchen and bathroom cleaning and housekeeping services, posted higher sales than in the previous year. Sales of technical services for the commercial market were also higher than in the previous year due to the steady growth of pest control service.

As for other businesses in Clean & Care Group, Home Instead, which provides senior care services, recorded lower sales from one year earlier, but sales of Rent-All, Uniform Services and Health & Beauty were higher. Rent-All continued to record favorable results in rental services for assisted-living and health care products, and event orders. Uniform Service increased the number of sales personnel and Health & Beauty increased the sales of skin care products.

As a result, Clean & Care Group recorded sales of 110,097 million yen, up 1.0% from the previous year. But operating income was 13,873 million yen, down 3.5% due to up-front costs associated with the new mat product introduction. In March 2014, Duskin made Chugai Sangyo Co., Ltd. a wholly-owned subsidiary with the objective of reinforcing Duskin's uniform business. The results of Chugai Sangyo are not included in the consolidated results of the fiscal year that ended in March 2014.

## 2) Food Group

Mister Donut, which is aiming to enhance its brand value, recorded steady growth until the third quarter. But in the fourth quarter the new products and campaigns were not as effective as one year earlier when the "Pon de Ring -Fresh" was introduced. As a result, the full-year sales of Mister Donut were lower than in the previous year. In April 2013, Mister Donut introduced a new frying oil to enhance the flavor of donuts, improved the dough of popular items, including Old Fashions, and updated a donut glaze. With these improvements, the "TRY! NEW MISDO!" campaign was conducted. In September, Mister Donut released MISDO Original Roast Coffee, with better taste achieved through the selection of quality coffee beans and an improved roasting method. A full-year promotion plan was conducted in commemoration of the 10th anniversary of the introduction of our most popular item, Pon De Ring. "Pururun Pon De Ring" and "Atsutoro (hot & melty) Pon De Ring" were released as limited time offer. Mister Donut also worked on developing new products that drew customer attention. Examples include sales and promotional campaigns of seasonal products as well as product development through collaboration with leading companies such as Calpis Co., Ltd. With MISDO Bits, a variety of bite-size donuts in six flavors in special packages of 6, 18 and 30 pieces, Mister Donut offers a new way for groups of people to enjoy donuts together. This new style of enjoying donuts attracted customer attention. Since its introduction, seasonal varieties have won customer support.

In the other food service businesses, including Hachiya Dairy Products Co., Ltd., which became a consolidated subsidiary in July 2012, The Don, a seafood donburi chain, Café Du Monde, and Katsu & Katsu posted lower sales from one year earlier, due to smaller number of stores/restaurants. The sales of a remodeled Katsu & Katsu restaurant using a new concept grew steadily. In November 2013, we opened a suburban type large-scale bakery shop, and started examining the performance of this new business. As a result, Food Group posted sales of 47,018 million yen, down 3.7% from one year earlier. Due to the higher cost of flour and raw materials, and higher advertising expenses for the "TRY! NEW MISDO!" campaign, Food Group recorded an operating loss of 410 million yen compared with operating income of 1,140 million yen in the previous year.

## 3) Other Businesses

The Clean & Care Business posted higher sales than in the previous year in Taiwan and South Korea, among the three overseas markets.

In Taiwan, sales steadily increased due to synergies created by the dust control business and technical services. In Shanghai, China, residential market sales steadily grew but commercial market sales decreased. As a result, sales were the same level as in the previous year.

Overseas Mister Donut posted steady sales growth in Thailand, the Philippines and Malaysia. Sales in Taiwan, Shanghai and South Korea decreased mainly due to the closure of underperforming stores. As a result, Mister Donut's overseas business recorded lower sales than in the previous year. In Taiwan, both sales and income started to recover in the third quarter.

Duskin Healthcare, which provides management services to medical facilities, recorded higher sales due to an increase in the facility cleaning services and sanitary management services for surgical units. Duskin Kyoeki, a leasing and insurance company, also recorded higher sales due to an increase in general leasing of office machines.

As a result, sales of Other Businesses, totaled 10,628 million yen, up 3.2%, and operating income was 243 million yen, up 3.0% from one year earlier.

Sales figures do not include consumption tax.

(2) Outlook for the next fiscal year

In fiscal 2014, the last year of the Company's Medium-term Management Policy, we are facing uncertainties that may affect our performance, including the April 2014 consumption tax hike, raw material market prices and foreign exchange rates. Our efforts will be focused on implementing the initiatives aligned with the policy in order to conduct businesses from customers' perspective.

We aim to achieve a 3.1% increase in consolidated sales. Contributions to the sales increase is expected from Chugai Sangyo Co., Ltd., which became a subsidiary in March, 2014 as well as Food Group, including a recovery of Mister Donut where sales decreased in FY2013.

Earnings are expected to increase along with sales. However, there will be up-front costs associated with the launch of new dust control products. Therefore, earnings are expected to increase slightly from the previous fiscal year.

**(Consolidated)**

(millions of yen, %)

	Year ending Mar. 31, 2015 (forecast)			Year ended Mar. 31, 2014 (actual)	
		%	change (%)		%
Sales	173,000	100.0	3.1	167,745	100.0
Operating income	6,800	3.9	2.4	6,641	4.0
Ordinary income	8,300	4.8	-0.3	8,322	5.0
Net income	4,700	2.7	5.7	4,448	2.7

**(Non-consolidated)**

(millions of yen, %)

	Year ending Mar. 31, 2015 (forecast)			Year ended Mar. 31, 2014 (actual)	
		%	change (%)		%
Sales	147,000	100.0	3.1	142,589	100.0
Operating income	4,200	2.9	13.4	3,702	2.6
Ordinary income	7,200	4.9	6.0	6,795	4.8
Net income	4,400	3.0	12.4	3,914	2.7

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

### (3) Financial Position

#### 1) Assets, liabilities, and net assets

##### (a) Current assets

As of March 31, 2014, current assets amounted to 53,489 million yen, a 5,673 million yen decrease from one year earlier. This is due to a 1,566 million yen increase in merchandise and finished goods and a 7,498 million yen decrease in short-term marketable securities.

##### (b) Noncurrent assets

Noncurrent assets totaled 149,289 million yen at the end of the fiscal year, a 6,076 million yen increase from one year earlier. This is mainly due to a 7,284 million yen increase in investment securities and a 748 million yen decrease in property, plant and equipment.

##### (c) Current liabilities

Current liabilities amounted to 33,991 million yen, an 807 million yen decrease from one year earlier. This is mainly due to 977 million yen increase in accounts payable-other, 1,221 million yen decrease in accrued income taxes and 853 million yen decrease in provision for point card certificates.

##### (d) Noncurrent liabilities

Noncurrent liabilities totaled 16,884 million yen at the end of the fiscal year, a 2,119 million yen increase from one year earlier. This is mainly due to a 13,284 million yen decrease in provision for retirement benefits, as 15,358 million yen was recognized as net defined benefit liability due to a revision to the Accounting Standard for Retirement Benefits.

##### (e) Net assets

Net assets totaled 151,903 million yen at the end of the fiscal year, a 908 million yen decrease from one year earlier. This is due to a 1,425 million yen increase in valuation difference on available-for-sale securities, a decrease of 1,921 million yen in retained earnings resulting from net income of 4,448 million yen, dividend payments of 3,764 million yen, and the cancellation of treasury stock of 2,604 million yen, as well as 709 million yen of remeasurement of defined benefit plans.

#### 2) Cash flows

Cash and cash equivalents (Cash) at the end of the fiscal year totaled 19,775 million yen, an 8,396 million yen decrease from 28,171 million yen from one year earlier. Cash flows are as follows:

##### (a) Cash flow from operating activities

Net cash provided by operating activities amounted to 12,086 million yen, a 4,183 million yen decrease from one year earlier. Income before income taxes totaled 8,199 million yen, a 2,111 million yen decrease from the previous year, while depreciation was 6,971 million yen (127 million yen decrease) and a 983 million yen increase in net defined benefit liability (983 million yen increase from the previous fiscal year) Income taxes paid were 4,168 million yen, a 156 million yen increase from the previous fiscal year.

##### (b) Cash flow from investing activities

Net cash used in investing activities totaled 14,004 million yen, a 7,139 million yen increase from the previous fiscal year. This is mainly due to sale and redemptions of marketable securities and investment securities of 6,000 million yen, a 16,439 million yen decrease from the previous fiscal year, purchase of marketable securities and investment securities with a value of 14,035 million yen, a 5,604 million yen decrease from the previous fiscal year, and purchase of tangible noncurrent assets with a value of 3,833 million yen, a 1,929 million yen decrease from the previous fiscal year.

##### (c) Cash flow from financing activities

Net cash used in financial activities amounted to 6,553 million yen, a 572 million yen increase. Dividend payments totaled 3,766 million yen, an 84 million yen decrease from the previous fiscal year, and there were payments of 2,839 million yen for the purchase of treasury stock, an 822 million yen increase from the previous fiscal year.

### 3) Trends in cash flow related indicators

A summary of trends in cash flow related indicators is presented below.

	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014
Equity ratio (%)	74.3	75.4	75.1	74.3
Equity ratio at market price (%)	50.6	53.9	58.5	60.1
Interest-bearing debt to CF ratio (years)	0.0	0.0	0.0	0.0
Interest coverage ratio	195.7	2,221.7	3,847.9	3,790.7

Note 1. The above indicators are calculated using the following formulas based on consolidated figures.

Equity ratio (Net assets - Minority interests)/Total assets

Equity ratio at market price: Market capitalization/Total assets

Interest-bearing debt to CF Ratio: Interest-bearing debt/Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest expenses

2. Market capitalization is calculated by multiplying the common stock price at term end by the number of shares outstanding at term end, excluding treasury stock.
3. Cash flows from operating activities in the consolidated statements of cash flows are used for the cash flows from operating activities.
4. Interest-bearing debt includes all debt shown in the consolidated statement of financial position.
5. Interest expenses in the consolidated statements of cash flows are used for the interest expenses.

### (4) Basic policies regarding distribution of profits and dividends for the current and following fiscal years

Duskin follows a policy on dividends intended to meet shareholders' expectations for the long term by placing priority on returning profits to shareholders through a steady and continuous dividend distribution for each term. At the same time, Duskin secures internal reserves necessary to earn profits for future business development and to maintain sound operations. Duskin plans to distribute a dividend in accordance with the basic policy to meet the expectations of shareholders.

In accordance with this policy, dividends are paid twice each year: an interim and year-end dividend. The year-end dividend is determined at the general meeting of shareholders. The Articles of Incorporation state that "the Company may, by a resolution of the Board of Directors, with the record date of September 30 of every year, distribute interim dividends."

Duskin plans to pay a year-end dividend of 20 yen per share for FY2013. Since there was an interim dividend of 20 yen, and a 50th anniversary commemorative dividend of 20 yen, this will result in a dividend per share of 60 yen for the fiscal year.

It is expected that the 20 yen per share policy for both interim and year-end dividends will be maintained in the next fiscal year, resulting in a fiscal year dividend of 40 yen per share.



## 2. Management Policy

### (1) Management guidelines and medium-to long-term management plan

Management guidelines and the medium-to long-term management plan are not shown here because there have been no significant changes from the information in the earnings announcement dated May 15, 2012.

This earnings announcement can be viewed by visiting the following websites.

Duskin website:  
<http://www.duskin.co.jp/corp/index.html>

Tokyo Stock Exchange website: Search service of listed companies  
<http://www.duskin.co.jp/corp/index.html>

### (2) Financial goals

The financial goals for FY 2014, the final year of the Medium-term Management Policy were revised on January 30, 2014. The forecast for FY2014 was revised in this quarterly report, as follows:

	Previous goal (Announced on January 30, 2013)	Revised goal
Consolidated sales	173,000 million yen	173,000 million yen
Operating income on consolidated sales (Consolidated operating income)	3.7% (6,400 million yen)	3.9% (6,800 million yen)

### (3) Key initiatives

Major shifts are occurring in consumers' purchasing patterns as the population ages, internet sales grow and other changes occur. By enacting reforms that reflect these changes in market conditions, we believe that the Duskin Group can become an organization that continues to achieve sustainable growth.

In Japan, people are becoming more conscious of the need for protecting the environment and leading health lives. Other changes are a rapidly aging population, growth in the number of working women and the larger number of active seniors. We are concentrating on building a business model that can adapt with flexibility to these demographic and lifestyle changes. Another priority is developing products and services that target the needs of consumers.

In FY 2014, the last year of the Company's Medium-term Management Policy, a number of factors may affect our performance, including the April 2014 consumption tax hike, raw material prices and foreign exchange rates. In this environment, our efforts will be focused on implementing the initiatives aligned with the policy in order to conduct businesses from our customers' perspective.

#### 1) Clean & Care Group

(Residential products and services)

In addition to our current direct selling activities, we will use innovative sales systems to respond to the various lifestyles of our customers and consumers.

- a. Increase customer contact by expanding our product promotions through demonstrations at small and midsize supermarkets, as this promotional event has been mainly conducted at large shopping malls.
- b. Change the product trial system to help customers better understand the benefit of our products (through well-thought-out product explanations and follow-ups)
- c. Promote a cleaning style that combines a floor mop, LaLa, a handy mop "shushu" and Dust Cleaner, an electrically-powered dust box placed on the floor, and use a lower price to improve the appeal of this cleaning set to consumers.
- d. Develop and introduce an information system that directly delivers our product and service information to customers.

(Commercial products and services)

We will focus our efforts on developing sales people with higher sales skills and expertise, and transform ourselves from a cleaning equipment rental company into a comprehensive sanitary service provider.

- a. Establish "sales bases" that specialize in sales activities and "rental and service bases" that specialize in replacement services to exchange rental products. This initiative helps secure sales people by consolidating replacement services.
- b. Assist restaurant chain operators in preserving the ideal environment by providing "Professional kitchen sanitary management support services."

(Technical Service)

Our efforts will be focused on new franchise sales to establish a service structure in order to fully respond to the growing needs involving technical services, such as housekeeping services. We will strive to develop new service menus that enable us to provide services tailored to customers' requests.

- a. Promote multi-unit openings, increase the number of franchisees, locations and employees.
- b. Enhance customer satisfaction by reinforcing employee education and improving service quality
- c. New service menu development: new services combined with house cleaning services and housekeeping services, cleaning and sterilizing services for drum type washing machines, and solar panel cleaning

2) Food Group

Food Group is committed to providing safe and reliable products as we regard this as the most important social responsibility for us. We will redouble our efforts for providing safe and reliable products. We will devote ourselves to the recovery of the Mister Donut business, and aim to enter into new food businesses.

(Mister Donut)

- a. Convert existing shops to new concept shops to meet diversifying customer needs and encourage more new customer visits.
- b. Develop and introduce new menu items focused on customers' different reasons and purposes for visiting Mister Donut shops (meal menus, seasonal menus such as summer-only ices and frozen sweets)
- c. Encourage repeat visits through a new membership program, and participate in a new member card system in cooperation with Rakuten, Inc.

(Other food businesses)

We will start examining new food businesses, in addition to the bakery business that we started examining in the previous fiscal year.

This summer, we plan to open a new type of ice cream store featuring a special texture with large pieces of fruits and other ingredients, and start test marketing.

3) Overseas operations

We aim to establish our Duskin and Mister Donut brands in the growing Asian markets. We will continue to work on cost reduction through the local procurement of raw materials, and develop products to meet local needs. While also pursuing operating efficiency, we aim to expand our market shares in these regions.

(Clean & Care Businesses)

We will expand operations in the existing markets and accelerate our preparations to enter into the Chinese market other than in Shanghai.

In Shanghai, we will focus our efforts on dust control products for residential use to firmly establish our

dust control products in the residential market. In addition to these activities in Shanghai, we will speed up our business development plans for other areas in China.

The dust control business has grown steadily in Taiwan, where technical services were introduced. Further efforts will be placed on cross selling dust control products with technical services. In South Korea, where our dust control business is still new, we aim to increase our workforce and with the goal of increasing residential sales.

(Mister Donut)

We will continue to plan to expand the Mister Donut business in Southeast Asia, including store openings in Indonesia during FY2014.

In the existing markets, we will strive to develop sales systems and channels that match the local lifestyles and increase the number of shops. While focusing on product development to meet the local needs, we aim to offer our products with more competitive prices through the local procurement of raw materials. By taking these actions, we aim to improve our profitability.

#### 4) New Business Development

Anticipating the ever-increasing number of senior households, we will work on the development of businesses that are associated with our existing businesses in order to meet diversified customers' needs in the future.

To achieve this goal, we will work on more alliances with business partners and review and utilize the most suitable methods for each business, including M&A, capital alliances and tie-up agreements.

### 3. Consolidated financial statements

#### (1) Consolidated balance sheets

(millions of yen)

	as of March 31, 2013	as of March 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	19,255	20,370
Notes and accounts receivable-trade	10,366	10,701
Lease investment assets	1,782	1,610
Securities	13,998	6,500
Merchandise and finished goods	6,203	7,769
Work in process	175	164
Raw materials and supplies	2,133	1,763
Deferred tax assets	2,609	1,980
Other	2,684	2,667
Allowance for doubtful accounts	-46	-37
<b>Total current assets</b>	<b>59,162</b>	<b>53,489</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,138	42,072
Accumulated depreciation	-24,262	-24,101
Buildings and structures, net	17,876	17,970
Machinery, equipment and vehicles	23,624	23,883
Accumulated depreciation	-17,247	-17,389
Machinery, equipment and vehicles, net	6,376	6,494
Land	24,231	24,192
Construction in progress	279	466
Other	13,683	13,281
Accumulated depreciation	-9,328	-9,675
Other, net	4,355	3,606
<b>Total property, plant and equipment</b>	<b>53,120</b>	<b>52,729</b>
Intangible assets		
Goodwill	688	600
Other	7,788	7,784
<b>Total intangible assets</b>	<b>8,477</b>	<b>8,385</b>
Investments and other assets		
Investment securities	67,684	74,968
Long-term loans receivable	108	13
Deferred tax assets	5,147	4,732
Guarantee deposits	7,498	7,249
Other	1,385	1,406
Allowance for doubtful accounts	-209	-197
<b>Total investments and other assets</b>	<b>81,614</b>	<b>88,173</b>
<b>Total non-current assets</b>	<b>143,212</b>	<b>149,289</b>
<b>Total assets</b>	<b>202,375</b>	<b>202,778</b>

(millions of yen)

	as of March 31, 2013	as of March 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,975	7,818
Short-term loans payable	—	33
Current portion of long-term loans payable	99	140
Income taxes payable	2,066	844
Provision for bonuses	3,362	3,175
Provision for point card certificates	1,292	438
Asset retirement obligations	2	9
Accounts payable - other	6,229	7,206
Guarantee deposit received for rental products	10,326	10,203
Other	4,443	4,120
<b>Total current liabilities</b>	<b>34,798</b>	<b>33,991</b>
Non-current liabilities		
Long-term loans payable	89	69
Provision for retirement benefits	13,284	—
Provision for loss on guarantees	11	—
Net defined benefit liability	—	15,358
Asset retirement obligations	592	582
Long-term guarantee deposited	748	748
Long-term accounts payable - other	37	94
Other	0	30
<b>Total non-current liabilities</b>	<b>14,764</b>	<b>16,884</b>
<b>Total liabilities</b>	<b>49,563</b>	<b>50,875</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	10,841	10,841
Retained earnings	132,222	130,300
Treasury stock	-3,092	-3,326
<b>Total shareholders' equity</b>	<b>151,323</b>	<b>149,167</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	943	2,369
Deferred gains or losses on hedges	-3	—
Foreign currency translation adjustment	-371	-190
Remeasurements of defined benefit plans	—	-709
<b>Total accumulated other comprehensive income</b>	<b>568</b>	<b>1,469</b>
Minority interests	919	1,265
<b>Total net assets</b>	<b>152,811</b>	<b>151,903</b>
<b>Total liabilities and net assets</b>	<b>202,375</b>	<b>202,778</b>

(2) Consolidated statements of income & consolidated statements of comprehensive income  
(Consolidated statements of income)

(millions of yen)

	FY 2012 April 1, 2012 - March 31, 2013	FY 2013 April 1, 2013 - March 31, 2014
Net sales	168,163	167,745
Cost of sales	95,712	95,949
Gross profit	72,450	71,795
Selling, general and administrative expenses	63,253	65,154
Operating income	9,197	6,641
Non-operating income		
Interest income	907	963
Dividend income	223	246
Rent income on facilities	123	110
Commission fee	278	217
Gain on transfer of goodwill	131	15
Miscellaneous income	521	509
Total non-operating income	2,186	2,063
Non-operating expenses		
Interest expenses	4	3
Share of loss of entities accounted for using equity method	109	119
Foreign exchange losses	—	53
Compensation expenses	80	122
Loss on cancellation of leasehold contracts	33	0
Miscellaneous loss	127	82
Total non-operating expenses	355	381
Ordinary income	11,027	8,322
Extraordinary income		
Gain on sales of non-current assets	0	8
Gain on sales and redemption of investment securities	939	—
Gain on bargain purchase	—	127
Other	98	15
Total extraordinary income	1,039	152
Extraordinary losses		
Loss on sales of non-current assets	5	37
Loss on abandonment of non-current assets	159	156
Impairment loss	103	73
Loss on sales of investment securities	581	—
Provision for point card certificates	885	—
Other	20	7
Total extraordinary losses	1,755	274
Income before income taxes and minority interests	10,311	8,199
Income taxes - current	4,164	2,950
Income taxes - deferred	-9	682
Total income taxes	4,154	3,633
Income before minority interests	6,156	4,566
Minority interests in income	64	117
Net income	6,092	4,448

(Consolidated statements of comprehensive income)

	(millions of yen)	
	FY 2012	FY 2013
	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Income before minority interests	6,156	4,566
Other comprehensive income		
Valuation difference on available-for-sale securities	2,739	1,422
Deferred gains or losses on hedges	-3	-0
Foreign currency translation adjustment	117	173
Share of other comprehensive income of entities accounted for using equity method	85	84
Total other comprehensive income	2,939	1,680
Comprehensive income	9,095	6,246
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,984	6,058
Comprehensive income attributable to minority interests	111	187

(3) Consolidated statements of changes in net assets  
FY2012 (Apr. 1, 2012 - Mar. 31, 2013)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,352	11,337	131,591	-3,176	151,104
Changes of items during the period					
Dividends of surplus			-3,857		-3,857
Net income			6,092		6,092
Purchase of treasury stock				-2,016	-2,016
Retirement of treasury stock		-496	-1,604	2,100	—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	-496	631	83	218
Balance at end of current period	11,352	10,841	132,222	-3,092	151,323

	Accumulated other comprehensive income					Minority 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 the beginning of current period	-1,793	3	-533	—	-2,323	823	149,604
Changes of items during the period							
Dividends of surplus							-3,857
Net income							6,092
Purchase of treasury stock							-2,016
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	2,737	-7	161	—	2,891	96	2,988
Total changes of items during the period	2,737	-7	161	—	2,891	96	3,206
Balance at end of current period	943	-3	-371	—	568	919	152,811



FY2013 (Apr. 1, 2013 - Mar. 31, 2014)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,352	10,841	132,222	-3,092	151,323
Changes of items during the period					
Dividends of surplus			-3,764		-3,764
Net income			4,448		4,448
Purchase of treasury stock				-2,839	-2,839
Retirement of treasury stock			-2,604	2,604	—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	-1,921	-234	2,155
Balance at end of current period	11,352	10,841	130,300	-3,326	149,167

	Accumulated other comprehensive income					Minority 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 the beginning of current period	943	-3	-371	—	568	919	152,811
Changes of items during the period							
Dividends of surplus							-3,764
Net income							4,448
Purchase of treasury stock							-2,839
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	1,425	3	181	-709	900	345	1,246
Total changes of items during the period	1,425	3	181	-709	900	345	-908
Balance at end of current period	2,369	—	-190	-709	1,469	1,265	151,903

(4) Consolidated statements of cash flows

	(millions of yen)	
	FY2012	FY2013
	Apr. 1, 2012 - Mar. 31, 2013	Apr. 1, 2013 - Mar. 31, 2014
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	10,311	8,199
Depreciation and amortization	7,099	6,971
Amortization of goodwill	225	231
Increase (decrease) in allowance for doubtful accounts	35	-12
Bad debts expenses	1	—
Interest and dividends income	-1,131	-1,209
Interest expenses	4	3
Foreign exchange losses (gains)	-5	-3
Share of (profit) loss of entities accounted for using equity method	109	119
Loss (gain) on sales of property, plant and equipment	4	29
Loss on retirement of property, plant and equipment	171	137
Loss (gain) on sales and redemption of investment securities	-357	—
Gain on bargain purchase	—	-127
Loss (gain) on transfer of goodwill	-130	-15
Impairment loss	103	73
Decrease (increase) in notes and accounts receivable-trade	857	-125
Decrease (increase) in inventories	-464	-1,015
Increase (decrease) in notes and accounts payable-trade	133	471
Increase (decrease) in provision for bonuses	-88	-187
Increase (decrease) in provision for point card certificates	843	-853
Increase (decrease) in provision for retirement benefits	1,311	—
Increase (decrease) in provision for loss on guarantees	-48	-11
Increase (decrease) in net defined benefit liability	—	983
Increase (decrease) in accrued consumption taxes	62	-97
Decrease (increase) in lease investment assets	68	171
Decrease (increase) in other assets	486	822
Increase (decrease) in other liabilities	-583	375
Subtotal	19,020	14,930
Interest and dividends income received	1,264	1,326
Interest expenses paid	-4	-3
Income taxes paid	-4,012	-4,168
Net cash provided by (used in) operating activities	16,269	12,086

(millions of yen)

	FY2012 Apr. 1, 2012 - Mar. 31, 2013	FY2013 Apr. 1, 2013 - Mar. 31, 2014
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	-1,143	1,093
Purchase of securities	-4,002	-6,000
Proceeds from sales and redemption of securities	6,205	3,000
Purchase of property, plant and equipment	-5,762	-3,833
Proceeds from sales of property, plant and equipment	23	157
Purchase of investment securities	-15,637	-8,035
Proceeds from sales and redemption of investment securities	16,234	3,000
Purchase of shares of subsidiaries and associates	—	-126
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-859	-430
Payments of loans receivable	-313	-4
Collection of loans receivable	294	229
Payments for lease and guarantee deposits	-198	-117
Proceeds from collection of lease and guarantee deposits	263	164
Payments for transfer of business	-56	-241
Proceeds from transfer of goodwill	130	15
Other payments	-2,056	-2,952
Other proceeds	15	76
Net cash provided by (used in) investing activities	-6,864	14,004
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	—	33
Repayment of long-term loans payable	-98	-132
Proceeds from share issuance to minority shareholders	—	167
Purchase of treasury stock	-2,016	-2,839
Cash dividends paid	-3,851	-3,766
Cash dividends paid to minority shareholders	-14	-16
Net cash provided by (used in) financing activities	-5,980	-6,553
Effect of exchange rate change on cash and cash equivalents	23	75
Net increase (decrease) in cash and cash equivalents	3,447	-8,396
Cash and cash equivalents at beginning of period	24,724	28,171
Cash and cash equivalents at end of period	28,171	19,775

(5) Notes to consolidated financial statements

(Note relating to going concern assumption)

There are no specific issues to report in this section.

(Change in accounting policies)

Duskin adopted Accounting Standard for Retirement Benefits (ASBJ Statement No.26, issued on May 17, 2012, "Accounting Standard for Retirement Benefits" hereinafter) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012, "Guidance on Accounting Standard for Retirement Benefits" hereinafter), excluding the requirements of Article 35 of Accounting Standard for Retirement Benefits, and Article 67 of Guidance on Accounting Standard for Retirement Benefits. Following this change, actuarial gains and losses and past service costs that are yet to be recognized were recognized as a net defined benefit liability since the difference between retirement benefit obligations and plan assets is reclassified and recognized as a liability.

As Duskin complies with the tentative treatments stipulated in Article 37 of Accounting Standard for Retirement Benefits, the effect of this amendment is included in the remeasurements of defined benefit plans in other comprehensive income at the end of this fiscal year.

As a result, a net defined benefit liability of 15,358 million yen was recorded at the end of this fiscal year and other comprehensive income decreased by 709 million yen.

Net assets per share decreased by 11.52 yen.

(Segment Information)

Segment Information

1. Overview of business segments

Duskin's reportable segments are components of business operations for which separate financial information is available, and where operating results are reviewed regularly by the board of directors to determine the allocation of resources and evaluate performance.

Duskin has business operating units classified by product and service type. Each business unit establishes comprehensive product and service strategies for Japan and conducts its own business activities.

There are two reportable segments, Clean & Care Group and Food Group, which consist of business operating units such as business groups and divisions based on product and service types.

Clean & Care Group, with a focus on direct selling, includes rental of cleaning tools, manufacture and sale of cosmetics, rental of cabinet towels, sale of bathroom products, rental of shop towels, rental of water-purifiers and air-purifiers, house cleaning services, housekeeping services, pest control and prevention services, tree and lawn care services, plant and facility management services, senior care services, rental and sale of travel goods, baby goods, leisure goods, health and nursing care equipment, manufacture, sale and rental of uniforms and sale of coffee to offices. Food Group is comprised of food service chains that sell donuts, beignets, baked products, dim sum, food and beverages.

2. Method of calculating sales, profit/loss, assets and others by business segment

The segment income or losses are based on operating income or loss.

Inter-segment intercompany profit and transfers are based on current market prices.

3. Sales, profits or losses, and assets by reportable segment

Consolidated fiscal year 2012 (April 1, 2012 through March 31, 2013)

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated total
Sales						
To outside customers	109,057	48,804	10,301	168,163	—	168,163
Inter-segment sales	934	13	2,504	3,452	-3,452	—
Total	109,992	48,817	12,805	171,615	-3,452	168,163
Segment profit or loss	14,380	1,140	236	15,758	-6,561	9,197
Segment asset	69,429	14,208	17,432	101,070	101,304	202,375
Other						
Depreciation	3,326	970	1,844	6,140	942	7,083
Property, plant and equipment and intangible assets increase	1,929	989	3,070	5,989	1,183	7,172

Consolidated fiscal year 2013 (April 1, 2013 through March 31, 2014)

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated total
Sales						
To outside customers	110,097	47,018	10,628	167,745	—	167,745
Inter-segment sales	902	8	2,729	3,640	-3,640	—
Total	111,000	47,027	13,357	171,385	-3,640	167,745
Segment profit or loss	13,873	-410	243	13,706	-7,064	6,641
Segment asset	72,191	14,023	18,304	104,519	98,259	202,778
Other						
Depreciation	3,104	1,063	1,940	6,108	844	6,953
Property, plant and equipment and intangible assets increase	3,502	980	1,321	5,803	983	6,786

(Notes)

- Others 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.
- Breakdown of the adjustment area as follows:

Sales (millions of yen)

	FY2012	FY2013
Inter-segment eliminations	-3,452	-3,640
Total	-3,452	-3,640

Segment profits (millions of yen)

	FY2012	FY2013
Inter-segment eliminations	-14	44
Corporate expenses	-6,546	-7,109
Total	-6,561	-7,064

Corporate expenses include corporate administrative expenses.

Segment assets (millions of yen)

	FY2012	FY2013
Inter-segment eliminations	-10,954	-12,224
Corporate assets	112,258	110,483
Total	101,304	98,259

Corporate assets include the management fund of surplus funds (cash and securities), long-term investment funds (investment securities) and assets relating to the administrative department.

Depreciation (millions of yen)

	FY2012	FY2013
Inter-segment eliminations	-3	-3
Corporate assets	946	848
Total	942	844

Increase of property, plant and equipment and intangible assets (millions of yen)

	FY2012	FY2013
Corporate assets	1,183	983
Total	1,183	983

- Segment income has been adjusted for consistency with operating income that is shown in the consolidated statements of income.

(Per share information)

(yen)

FY2012 (April 1, 2012 - March 31, 2013)		FY2013 (April 1, 2013 - March 31, 2014)	
Net assets per share	2,407.88	Net assets per share	2,446.24
Earnings per share	95.15	Earnings per share	71.13
Fully diluted net income per share is not shown because the Company has no outstanding issues of bonds with warrants or convertible bonds.		Fully diluted net income per share is not shown because the Company has no outstanding issues of bonds with warrants or convertible bonds.	

(Note) Earnings per share is based on the following information.

	Fiscal Year 2012 (April 1, 2012 - March 31, 2013)	Fiscal Year 2013 (April 1, 2013 - March 31, 2014)
Net income (millions of yen)	6,092	4,448
Amounts not attributable to common shareholders (millions of yen)	—	—
Net income attributable to common shareholders (millions of yen)	6,092	4,448
Average number of common stock during the period (thousands shares)	64,030	62,541

(Important post-balance sheet events)

No events to be noted for this purpose.

#### 4. Others

##### (1) Changes in board members

###### Nominees for Director

Kazushi Sumimoto (current position, Manager, Rent-All)

Yukiko Yabu (Nominee for an Outside Director stipulated in Article 2, Item 15 of Corporation Law)

\* The nominees will be submitted for approval at the general meeting of shareholders to be held on June 20, 2014.

##### (2) Changes in Audit & Supervisory Board Members

###### 1) Nominee for Audit & Supervisory Board Member

Takaaki Oda (Nominee for an Outside Audit & Supervisory Board Member stipulated in Article 2, Item 16 of Corporation Law.)

\* The nominee will be submitted for approval at the general meeting of shareholders to be held on June 20, 2014.

###### 2) Exiting Corporate Auditor

Hidero Chimori

\* Mr. Chimori's term will expire and he will resign as an Audit & Supervisory Board Member at the end of the annual general meeting of shareholders to be held on June 20, 2014.