# Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

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 15, 2019

Company name: Duskin Co., Ltd. Shares listed: Tokyo
Code number: 4665 URL: https://www.duskin.co.jp/corp/index.html
Representative: Teruji Yamamura, President & CEO
Contact: Hiroyuki Okubo, Operating Officer, Manager, Corporate Planning Tel: (06) 6821-5071
Scheduled date of ordinary general meeting of shareholders: June 25, 2019
Scheduled date of dividend payment commencement: June 26, 2019
Scheduled date for release of annual securities report: June 26, 2019
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, 2019

(Amounts less than one million yen are dropped.)

(1) Results of operation

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

| | Sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % |
| Year ended Mar. 31, 2019 | 158,699 | -1.4 | 7,954 | 5.2 | 10,011 | 11.5 | 5,984 | 12.4 |
| Year ended Mar. 31, 2018 | 161,031 | -0.5 | 7,557 | 24.5 | 8,978 | 18.8 | 5,324 | 23.3 |

Note: Comprehensive income - Year ended March 31, 2019: 8,571 million yen (9.5%), Year ended March 31, 2018: 7,825 million yen (47.4%)

| | Profit per share | Profit per share (fully diluted) | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to sales |
|---|---|---|---|---|---|
| | yen | yen | % | % | % |
| Year ended Mar. 31, 2019 | 112.38 | 112.37 | 4.0 | 5.1 | 5.0 |
| Year ended Mar. 31, 2018 | 99.63 | 99.63 | 3.7 | 4.6 | 4.7 |

Reference: Share of profit (loss) of entities accounted for using equity method - Year ended March 31, 2019: 683 million yen, Year ended March 31, 2018: 220 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, 2019 | 194,223 | 149,884 | 77.0 | 2,876.63 |
| As of Mar. 31, 2018 | 196,058 | 147,786 | 75.2 | 2,758.28 |

Reference: Shareholders' equity - Year ended March 31, 2019: 149,627 million yen, Year ended March 31, 2018: 147,415 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, 2019 | 13,606 | -12,555 | -6,671 | 25,237 |
| Year ended Mar. 31, 2018 | 13,111 | -7,909 | -2,232 | 30,877 |

## 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, 2018 | - | 20.00 | - | 20.00 | 40.00 | 2,137 | 40.1 | 1.5 |
| Year ended Mar. 31, 2019 | - | 30.00 | - | 20.00 | 50.00 | 2,643 | 44.5 | 1.8 |
| Year ending Mar. 31, 2020 (Forecast) | - | 24.00 | - | 32.00 | 56.00 | | 50.1 | |

Note: Dividends paid at the end of second quarter of the fiscal year 2018: ordinary dividend 20 yen, commemorative dividend 10 yen

## 3. Forecast of consolidated financial results for the year ending March 31, 2020

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

| | Sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Net profit per share |
|---|---|---|---|---|---|---|---|---|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % | yen |
| 6 months ending Sept. 30, 2019 | 79,700 | -8.8 | 3,500 | -20.1 | 3,900 | -26.0 | 2,500 | -26.3 | 49.01 |
| Year ending Mar. 31, 2020 | 162,000 | 2.1 | 6,700 | -15.8 | 8,100 | -19.1 | 5,700 | -4.8 | 111.74 |

**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: None
2. Changes other than 1, above: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

(3) Number of shares issued (Common stock)

| | | | | |
|---|---|---|---|---|
| 1. Number of shares issued at the end of period (including treasury stock) | Year ended Mar. 31, 2019: | 52,694,823 | Year ended Mar. 31, 2018 | 55,194,823 |
| 2. Number of treasury stock at the end of the period | Year ended Mar. 31, 2019: | 679,822 | Year ended Mar. 31, 2018 | 1,750,262 |
| 3. Average number of shares during the period | Year ended Mar. 31, 2019: | 53,252,182 | Year ended Mar. 31, 2018 | 53,444,979 |

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

### 1. Non-consolidated financial results for the fiscal year ended March 31, 2019

(1) Results of operations (Percentages indicate the change against the previous fiscal year.)

| | Sales | | Operating profit | | Ordinary profit | | Profit | |
|---|---|---|---|---|---|---|---|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % |
| Year ended Mar. 31, 2019 | 129,592 | -2.2 | 5,254 | 6.9 | 8,529 | 14.1 | 5,198 | 10.5 |
| Year ended Mar. 31, 2018 | 132,537 | -1.3 | 4,915 | 20.8 | 7,476 | 15.4 | 4,703 | 26.3 |

| | Profit per share | Profit per share (fully diluted) |
|---|---|---|
| | yen | yen |
| Year ended Mar. 31, 2019 | 97.62 | 97.60 |
| Year ended Mar. 31, 2018 | 88.00 | 88.00 |

(2) Financial positions

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | millions of yen | millions of yen | % | yen |
| As of Mar. 31, 2019 | 181,109 | 125,271 | 69.2 | 2,407.99 |
| As of Mar. 31, 2018 | 182,765 | 126,440 | 69.2 | 2,365.65 |

Reference: Shareholders' equity - Year ended March 31, 2019: 125,252 million yen, Year ended March 31, 2018: 126,431 million yen

### 2. Forecast of financial results for the year ending March 31, 2020

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

| | Sales | | Operating profit | | Ordinary profit | | Profit | | Profit per share |
|---|---|---|---|---|---|---|---|---|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % | yen |
| 6 months ending Sept. 30, 2019 | 64,000 | 0.3 | 2,200 | -26.4 | 4,600 | -11.5 | 3,600 | -3.1 | 70.57 |
| Year ending Mar. 31, 2020 | 130,700 | 0.9 | 4,000 | -23.9 | 7,400 | -13.2 | 5,800 | 11.6 | 113.70 |

This summary of financial statements is exempt from the audit by certified public accountants or audit corporations.

Explanation regarding the appropriate use of business forecasts

(Note for the financial forecast)

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 Duskin 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. Analysis of business results and financial position

## (1) Analysis of business results

In the fiscal year that ended in March 31, 2019 (FY2018), the improvement in corporate earnings in Japan slowed as the cost of transporting and delivering rose because of Japan's labor shortage and other reasons and prices of raw materials increased. Furthermore, there is increasing uncertainty about the global economy due to prolonged U.S-China trade friction and other events. As a result, the economic outlook has become even more unclear.

FY2018 was the first year of the Medium-Term Management Policy 2018, which is the second phase of the ONE DUSKIN long-term strategy. Direct Selling Group (the new name of Clean & Care Group since April 2018) took many actions that were centered on the communication theme of "Fine-Tuning Everyday Life." For residential customers, membership website DDuet increased the number of members. For commercial customers, this group started a number of initiatives with the goal of becoming a Daily Life Fine-Tuning Service. One activity is performing training to create and enlarge a team of Hygiene Masters, who are specialists able to provide all-inclusive solutions for hygiene management of facilities and commercial kitchens. There were also measures to further strengthen the Care Service (professional cleaning and technical services) and Health Rent (rental of assisted-living and health care products; a separate division of Rent-All since April 2018) businesses, which are positioned as growth businesses within Direct Selling Group. One significant step was the establishment in August 2018 of a capital and business alliance with NAC Co., Ltd., the largest franchisee of Duskin. The markets for the Care Service and Health Rent businesses are expected to grow as Japan's population ages and the number of dual-income households increases. Both businesses are stepping up a variety of activities to improve the structure for delivering the services. At Food Group, Mister Donut, the group's core business, focused on rebuilding its brand. Mister Donut implemented a new product strategy, opened new-concept shops (V/21), renovated other locations, and took other actions under the brand slogan "Something good's gonna happen. Mister Donut." There were also actions for making constant improvements to corporate governance. To increase the transparency of management, the number of Directors was reduced and share of Outside Directors was raised. Also, we started using the Operating Officer System to delegate a significant amount of authority to Operating Officers to ensure that Directors have sufficient time to discuss important matters. Providing this time results in more thorough discussions, which further strengthens the decision-making and oversight roles of the Board of Directors.

Due mainly to lower sales at Direct Selling Group and Food Group, consolidated sales were 158,699 million yen, a 2,332 million yen (1.4%) decrease from the previous year. Consolidated operating profit was 7,954 million yen, a 396 million yen (5.2%) increase. The main reasons were a decrease in the cost of sales for rental products, lower promotional expenses and a decline in retirement benefit expenses associated with a change in the Duskin pension plan. Consolidated ordinary profit was 10,011 million yen, a 1,033 million yen (11.5%) increase. This was due mainly to an increase in share of profit of entities accounted for using equity method as income of NAC Co., Ltd., which became an equity method affiliate, was recorded. An expense was recorded to prepare for the liquidation of Mister Donut Shanghai Co., Ltd. in China and an increase in extraordinary losses caused partly by a higher non-current asset impairment loss. Despite these items, profit attributable to owners of parent was 5,984 million yen, a 659 million yen (12.4%) increase.

(millions of yen)

| | Year ended Mar. 31, 2018 | Year ended Mar. 31, 2019 | Increase/decrease | |
|---|---|---|---|---|
| | | | | % |
| Consolidated sales | 161,031 | 158,699 | -2,332 | -1.4 |
| Consolidated operating profit | 7,557 | 7,954 | 396 | 5.2 |
| Consolidated ordinary profit | 8,978 | 10,011 | 1,033 | 11.5 |
| Profit attributable to owners of parent | 5,324 | 5,984 | 659 | 12.4 |

Results by business segment

Sales (millions of yen)

| | Year ended Mar. 31, 2018 | Year ended Mar. 31, 2019 | Increase/decrease | % |
|---|---|---|---|---|
| Direct Selling Group | 111,941 | 111,476 | -464 | -0.4 |
| Food Group | 37,624 | 35,426 | -2,198 | -5.8 |
| Other Businesses | 14,416 | 14,858 | 442 | 3.1 |
| Total | 163,982 | 161,762 | -2,220 | -1.4 |
| Intersegment eliminations | -2,951 | -3,062 | -111 | ― |
| Consolidated sales | 161,031 | 158,699 | -2,332 | -1.4 |

Sales by business segment above include inter-segment sales.

Operating profit (loss) (millions of yen)

| | Year ended Mar. 31, 2018 | Year ended Mar. 31, 2019 | Increase/decrease | % |
|---|---|---|---|---|
| Direct Selling Group | 14,201 | 13,406 | -794 | -5.6 |
| Food Group | 356 | 320 | -36 | -10.2 |
| Other Businesses | 348 | 387 | 39 | 11.4 |
| Total | 14,905 | 14,114 | -791 | -5.3 |
| Intersegment eliminations, and corporate expenses | -7,347 | -6,160 | 1,187 | ― |
| Consolidated operating profit | 7,557 | 7,954 | 396 | 5.2 |

Operating profit or loss above includes inter-segment transactions.

1) Direct Selling Group

The sales of this group were 111,476 million yen, a 464 million yen (0.4%) decrease that was attributable mainly to a decline in sales of dust control products, the group's main category of sales. Operating profit benefited from an improvement in the cost of sales ratio but was negatively affected by the decrease in sales, higher personnel expenses for increasing the number of staff assigned to hygiene management, a market sector with growing customer needs, and higher expenses for strengthening the capabilities of Contact Center in order to reinforce direct contact with customers. As a result, this group's operating profit was 13,406 million yen, a 794 million yen (5.6%) decrease.

Sales of residential dust control products decreased because FY2017 sales benefited from a sales campaign that accompanied the nationwide launch in April 2017 of Robot Cleaner SiRo. Lower kitchen sponge sales were another reason for the sales decline. There was a big improvement in sales of dust control products in the fiscal year's second half because of a nationwide sales campaign in October using newspaper inserts and other sales activities. Two products introduced during FY2018 contributed to sales growth: the Fuwarira ionic air freshener and the Reizo Bugyo series of refrigerator deodorizers. In addition, there was a 55th anniversary campaign that included the flyers with discount coupons covering all our business lines, a free rental mop trials and other measures as well as actions to create more points of contact with customers, such as opening stores in online shopping malls. Due to these initiatives, Cleaning Basic Three, consisting of the LaLa floor mop, the Shushu handy mop and the Style Cleaner, and door mats for residential use recorded higher sales. Furthermore, we started selling a New Life Set in March 2019 that includes household products needed for people starting a new life this time of the year due to a new job, job transfer or other change.

Sales of dust control products for commercial use decreased due to lower sales of the main unit of the Clear Kukan-S, a compact air purifier introduced in FY2017, and mats and mops. Sales activities focused on national accounts and large business sites. Also, the Inside line of custom-made indoor mats with colorful designs to choose from for creating appealing interiors performed well.

In the professional cleaning and technical services sector, the number of franchised stores increased because of franchise recruitment activities in order to meet growing demand for these services. The air conditioner cleaning service of ServiceMaster (professional cleaning service), Merry Maids (home cleaning and helper services), Terminix (pest control and comprehensive sanitary management) and Total Green (plant and flower maintenance) all recorded higher custom-level sales. As a result, sales of professional cleaning and technical services were higher than one year earlier. In addition, the Home Repair business (fixing scratches and dents), which started franchising in FY2017, continued to steadily increase the number of franchised locations.

In other businesses of the Direct Selling Group, sales were lower in the cosmetics-related business and the Life Care business (the new name of Home Instead since April 2018), which provides living support services for seniors. Sales in the Uniform Service businesses and Rent-All business were unchanged from the previous fiscal year. The Health Rent business, which was upgraded to a business division due to the outlook for growth, posted a big increase in sales.

2) Food Group

At Food Group, customer-level sales decreased primarily because of shorter operating hours and temporary closures caused by natural disasters in the first half of the fiscal year and a decline in the number of Mister Donut shops due to closures of underperforming locations. Sales were also impacted by a decrease in royalty income and lower sales of raw materials to franchisees. As a result, sales were 35,426 million yen, a 2,198 million yen (5.8%) decrease and operating profit was 320 million yen, a 36 million yen (10.2%) decrease.

Mister Donut, the core business of Food Group, continued to focus on sales of MISDO Meets and MISDO GOHAN products. MISDO Meets products are developed with companies that have high-quality ingredients and advanced technologies. For MISDO GOHAN, the goal is to establish this as a brand menu item for light meal selections to enjoy for breakfast, brunch, lunch and at other times. To promote MISDO Meets, there were joint promotional activities with other companies. In the first quarter, as in the prior fiscal year, Mister Donut launched a product developed jointly with Gion Tsujiri, a Kyoto green tea specialty brand, and added a Cheese Tardo series in collaboration with PABLO, a cheese tart specialty store in the second quarter. In the third quarter, Mister Donut collaborated with Gotoken, a well-known restaurant located in the city of Hakodate, to start selling Good-old Restaurant's Premium Pies. In the same quarter, Mister Donut conducted the Meet Pokemon at MISDO! campaign through a tie-up with the "Pocket Monster Let's Go, Pikachu! Let's Go, Eevee!" games of Pokémon Company. This campaign was very popular among parents and their children. In the fourth quarter, Mister Donut started selling the Chocolate Collection in collaboration with Toshihiko Yoroizuka, a famous pastry chef. In March, Mister Donut introduced the Sakudo (cherry blossom donuts) as a seasonal product. Both of these activities were very successful. In addition, Mister Donut added seasonal pie, pasta and noodle menu items and started selling the MISDO Lunch Set between 11:00am and 3:00pm. Due to the success of these initiatives, sales per shop in operation were higher than in the previous fiscal year.

Sales of other food service businesses decreased. The Chiffon & Spoon, a specialty chiffon cake shop, and Bakery Factory, a large bakery shop, recorded lower sales. There was also a decline in sales at Hachiya Dairy Products, a consolidated subsidiary that produces ice cream and other products sold by a large dairy products company. The termination of the Café Du Monde business at the end of FY2017 also contributed to the sales decline. However, the existing locations of Pie Face, a specialty pie store, performed well and sales increased at Katsu & Katsu pork cutlet specialty restaurants along with the increasing number of these restaurants. To create a sound base for growth, Katsu & Katsu became a separate company on April 1, 2019.

3) Other Businesses

In Japan, consolidated subsidiary Duskin Kyoeki, a leasing and insurance company, performed about the same as in the previous fiscal year and consolidated subsidiary Duskin Healthcare, which provides medical facility management services, recorded higher sales because of an increase in the number of contracted facilities. Total sales of consolidated subsidiaries outside Japan increased. There were negative effects on sales from the yen's appreciation as of the end of March 2019 compared with one year earlier and from the decline in sales caused by a decrease in the number of shops at consolidated subsidiary Mister Donut Shanghai Co., Ltd., which operates Mister Donut shops in Shanghai. Sales were higher at Duskin Hong Kong Co., Ltd., which procures raw materials and equipment, due to an increase in the sales volume of paper towels. In addition, sales were higher at Duskin Shanghai Co., Ltd. due to the growth of sales of dust control products to commercial customers. As a result, sales of Other Businesses were 14,858 million yen, a 442 million yen (3.1%) increase from one year earlier.

Operating profit was 387 million yen, a 39 million yen (11.4%) increase from the previous year. Earnings were down at Duskin Kyoeki, higher at Duskin Healthcare and the operating loss at overseas operations decreased. The performance of Mister Donut Shanghai has been worsening during the past several years due to the rising cost of labor, leasing real estate and other items. As a result, this company closed all its shops at the end of March 2019 and will be subsequently liquidated.

Customer-level sales outside Japan were higher in the Direct Selling businesses in all overseas regions where these businesses operate: Taiwan, China (Shanghai) and South Korea. Customer-level sales at Mister Donut Taiwan, Mister Donut Shanghai, and Malaysia-based Big Apple Worldwide Holdings Sdn. Bhd. decreased. However, sales were higher than one year earlier in Thailand, the Philippines and Indonesia.

Segment sales figures do not include consumption tax.

## (2) Financial position

### a. Current assets

As of March 31, 2019, current assets amounted to 63,948 million yen, 3,663 million yen less than at the end of the previous fiscal year. This is mainly attributable to decreases of 2,965 million yen in cash and deposits and 1,056 million yen in short-term marketable securities.

### b. Non-current assets

Non-current assets totaled 130,275 million yen at the end of the fiscal year, 1,829 million yen more than at the end of the previous fiscal year. This is mainly due to increases of 2,082 million yen in intangible assets and 1,935 million yen in investment securities and decreases of 981 million yen in deferred tax assets and 739 million yen decrease in property, plant and equipment.

### c. Current liabilities

Current liabilities amounted to 34,330 million yen at the end of the fiscal year, 345 million yen more than at the end of the previous fiscal year. This is mainly due to a 617 million yen increase in accounts payable-other.

### d. Non-current liabilities

Non-current liabilities totaled 10,009 million yen at the end of the fiscal year, 4,277 million yen less than at the end of the previous fiscal year. This is mainly due to a 4,690 million yen decrease in net defined benefit liability.

### e. Net assets

Net assets totaled 149,884 million yen at the end of the fiscal year, 2,098 million yen more than at the end of the previous fiscal year. This is mainly due to a 2,692 million yen increase in remeasurements of defined benefit plans, a decrease of 2,005 million yen in the treasury stock deduction mainly because of the purchase and retirement of treasury stock, and a decrease of 2,444 million yen in retained earnings, which resulted from profit attributable to owners of parent of 5,984 million yen, dividend payments of 2,672 million yen and a deduction of 5,756 million yen due to the retirement of treasury stock.

(3) Cash flows

Cash and cash equivalents (cash) at the end of the fiscal year totaled 25,237 million yen, a decrease of 5,640 million yen from 30,877 million yen at the end of the previous fiscal year.

a. Cash flow from operating activities

Net cash provided by operating activities increased from 13,111 million yen in the previous fiscal year to 13,606 million yen. Major contributors to cash flows were profit before income taxes of 8,471 million yen, depreciation of 6,542 million yen and an impairment loss of 1,025 million yen and income taxes paid of 2,790 million yen.

b. Cash flow from investing activities

Net cash used in investing activities increased from 7,909 million yen in the previous fiscal year to 12,555 million yen. Major expenditures were 30,620 million yen for the purchase of securities and investment securities, 5,511 million yen for the purchase of stock of affiliates, 5,142 million yen for other expenditures and 4,439 million yen for the purchase of property, plant and equipment. There were proceeds of 31,768 million yen from sales and redemptions of securities and investment securities and 1,019 million yen from the decrease in time deposits.

c. Cash flow from financing activities

Net cash used in financing activities increased from 2,232 million yen in the previous fiscal year to 6,671 million yen. Payments of 3,753 million yen for the purchase of treasury stock and 2,673 million yen for cash dividends were the primary uses of cash.

(4) Cash flow related indicators

A summary of cash flow related indicators is presented below.

| | Mar. 2016 | Mar. 2017 | Mar. 2018 | Mar. 2019 |
|---|---|---|---|---|
| Equity ratio (%) | 75.0 | 74.5 | 75.2 | 77.0 |
| Equity ratio at market price (%) | 59.0 | 68.3 | 73.5 | 70.6 |
| Interest-bearing debt to CF ratio (years) | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest coverage ratio (times) | 43,306.0 | 15,141.2 | 1,759.6 | 4,141.8 |

(Notes)
1. These indicators are calculated using the following formulas based on consolidated figures.
   Equity ratio: (Net assets – share acquisition rights – non-controlling interests)/Total assets
   Equity ratio at market price: Current aggregate value of shares/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. The current aggregate value of shares is calculated based on the number of shares outstanding at fiscal year-end, excluding treasury shares.
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 covers all debt bearing interest recorded in the consolidated statement of financial position.
5. Interest expenses in the consolidated statements of cash flows are used for the interest expenses.

(5) Outlook

We forecast a small increase in consolidated sales in the fiscal year ending in March 2020 as Food Group sales decrease and Direct Selling Group sales increase. However, we forecast lower operating income because of expenses required to make changes due to the consumption tax increase in Japan that is planned for the fall of 2019. Although the business climate is expected to remain challenging, we plan to make progress during this fiscal year toward achieving the targets of the Medium-Term Management Policy 2018, which will end with the fiscal year ending in March 2021.

Direct Selling Group has the goal of becoming a Daily Life Fine-Tuning Business. Priorities of this group include increasing the number of DDuet members, preventing the loss of current customers, using a team of Hygiene Masters with outstanding hygiene management skills for sales activities, and increasing the number of franchised units in the Care Service business. This group also anticipates higher sales in the Health Rent business. As a result, we forecast higher sales and earnings in this group.

For Food Group, we forecast lower sales and earnings. This outlook includes our plan for growth at Katsu & Katsu, which has become a separate company, and the effects of a decrease in the number of Mister Donut shops in operation. Sales per shop in operation have increased in each of the past two fiscal years. Furthermore, Mister Donut will continue to concentrate on sales activities for MIDSO Meets and MISDO GOHAN. In addition, there will be marketing campaigns using tie-ups with other companies and other activities to bring more people into Mister Donut shops.

Consolidated (millions of yen, %)

| | Year ending March 31, 2020 (forecast) | | | Year ended March 31, 2019 (actual) | |
|---|---|---|---|---|---|
| | | % | Change (%) | | % |
| Sales | 162,000 | 100.0 | 2.1 | 158,699 | 100.0 |
| Operating profit | 6,700 | 4.1 | -15.8 | 7,954 | 5.0 |
| Ordinary profit | 8,100 | 5.0 | -19.1 | 10,011 | 6.3 |
| Profit attributable to owners of parent | 5,700 | 3.5 | -4.8 | 5,984 | 3.8 |

Non-consolidated (millions of yen, %)

| | Year ending March 31, 2020 (forecast) | | | Year ended March 31, 2019 (actual) | |
|---|---|---|---|---|---|
| | | % | Change (%) | | % |
| Sales | 130,700 | 100.0 | 0.9 | 129,592 | 100.0 |
| Operating profit | 4,000 | 3.1 | -23.9 | 5,254 | 4.1 |
| Ordinary profit | 7,400 | 5.7 | -13.2 | 8,529 | 6.6 |
| Profit | 5,800 | 4.4 | 11.6 | 5,198 | 4.0 |

(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.

(6) Basic policies for profit distributions and dividends for the current and following fiscal years

Distributing earnings to shareholders is one of the priorities of Duskin. Our basic policy is to pay steady and continuous dividends for every fiscal year. Furthermore, we determine the dividend for each fiscal year by taking into account results of operations as well as the need for sufficient retained earnings for funding upcoming business operations and maintaining a sound foundation for business operations.

For FY2018, we plan to pay a year-end dividend of 20 yen per share. With the interim dividend of 30 yen, the sum of a 20 yen ordinary dividend and 10 yen 55th anniversary commemorative dividend, this will result in a fiscal year dividend of 50 yen per share.

We have revised our dividend policy as follows beginning with FY2019, as was announced on February 12, 2019 in a press release titled “Notice concerning Revision to Dividend Policy (Japanese version only).”

“Returning a portion of earnings to shareholders is one of our highest priorities. Our basic policy is to distribute profits to shareholders based on our performance while maintaining the proper balance between these distributions and the need for investments for sustained growth and higher corporate value and the need to maintain financial soundness to be prepared for potential risks involving business operations. A consolidated payout ratio of 50% is the guideline for the dividend for each fiscal year while maintaining the stability and consistency of dividend payments.”

In accordance with this new policy, we plan to pay an interim dividend of 24 yen per share and a year-end dividend of 32 yen per share for FY2019, resulting in a fiscal year dividend of 56 yen per share.

Our policy is to pay a dividend at the end of the first half and the end of the fiscal year. The year-end dividend is determined at the shareholders meeting. In accordance with the Duskin Articles of Incorporation, an interim dividend with a record date of September 30 every year can be paid based on a resolution approved by the Board of Directors.

We plan to continue to implement measures concerning dividends in order to meet the expectations of shareholders from a long-term perspective.

## 2. Management Guidelines

(1) Basic management guidelines and medium-to long-term business plan

This section is omitted because there have been no significant changes since this information was announced on March 8, 2018 in a press release titled “Announcement of Medium-Term Management Policy Formulation” and on May 15, 2018 in Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018.

Duskin website

Announcement of Medium-Term Management Policy
https://www.duskin.co.jp/english/ir/pdf/20180308.pdf

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018
https://www.duskin.co.jp/english/ir/pdf/duskin2017.pdf

(2) Financial Goals

We have revised our financial goals as follows, as was announced on May 15, 2019, in a press release titled “Revision of the Financial Goals of the Medium-Term Management Policy.”

(millions of yen)

| | Previous Forecast as of March 8, 2018 | Revised Forecast | Increase/decrease | |
|---|---|---|---|---|
| | | | | % |
| Consolidated sales | 169,000 | 165,000 | -4,000 | -2.4 |
| Consolidated operating profit | 8,200 | 8,200 | - | - |
| Consolidated operating margin (%) | 4.9 | 5.0 | +0.1 | - |

(3) Key initiatives

One of the most valuable strengths of Duskin is a network of franchisees with deep local roots. Duskin, as the franchisor, creates products and services that meet customers’ diversifying needs and franchisees serve customers directly. We believe that retaining a sound commitment to these activities is what our shareholders and the public expect of us and we are determined to meet these expectations for more growth of our sales and earnings.

a. Operating environment

In Japan, the primary market for the Duskin Group, the aging of the population is creating an increasingly severe labor shortage and growing issues concerning the provision of senior care. Also, Japanese consumers are placing increasing priority on food safety and reliability. In addition, business activities are changing dramatically due to the use of IT to buy and receive goods with no face-to-face contact and to other developments. Companies need to adapt to this new age. Furthermore, companies in Japan will have to take actions in response to the planned October 2019 consumption tax hike and implement measures that reflect the rapid growth of cashless payments and other events that are altering the business climate.

Under such operating environment, we are determined to increase our corporate value and grow consistently by quickly responding to changes in our markets, anticipating future changes and being first to take actions.

| Vision for the second phase of ONE DUSKIN | |
|---|---|
| Direct Selling Group | Evolving into Daily Life Fine-tuning Services that help people fine-tune the rhythm of their daily activities |
| Residential market | ● Comprehensive services that are in tune with each family's daily rhythm |
| Commercial market | ● Provide sanitary management solutions |
| Food Group | |
| Mister Donut | ● Implement initiatives for the slogan "Something good's gonna happen. Mister Donut" |
| Other food service businesses | ● Establish the next core businesses of Food Group |
| New growth | |
| New businesses | ● M&A, alliances with the public sector and other partners, new business development |
| Overseas operations | ● Establish Duskin Group brands in Asia |
| Strengthening our corporate culture | |
| Structural reforms | ● Reallocate corporate resources to raise emphasis on growing businesses |
| Corporate governance | ● Strengthen the decision-making and oversight functions of the Board of Directors and manage businesses with greater speed |

| Major goals | |
|---|---|
| Direct Selling Group | |
| Residential market | ● Reinforce customer contacts by using customer data sharing system in order to provide comprehensive services that are in tune to each family's daily rhythm<br>● Build the solid service structure needed to support the increasing demand for professional cleaning and technical services<br>● Enhance businesses targeting seniors |
| Commercial market | ● Establish a framework for providing sanitary management solutions utilizing our Hygiene Masters |
| Food Group | |
| Mister Donut | ● Use MISDO Meets, MISDO GOHAN and other activities to give customers more reasons to visit a shop; renovate shops and continue opening more shops |
| Other food service businesses | ● Use the Katsu & Katsu spin-off for growth with speed and flexibility<br>● Develop and reinforce other food service businesses |
| New growth | |
| New businesses | ● Start businesses in domains that meet social needs and have the potential for synergies with current businesses of the Duskin Group |
| Overseas operations | ● Strengthen business activities in a manner that matches the characteristics of individual countries in Asia |
| Strengthening our corporate culture | |
| Structural reforms | ● Constantly improve the efficiency of administrative operations and effectively use human resources |
| Corporate governance | ● Continuous discussions about the business portfolio strategy by the Board of Directors; increase the effectiveness of the Board of Directors and Board of Operating Officers |

## 3. Basic policies for selecting accounting standards

To facilitate comparisons of its consolidated financial statements across different fiscal years and with other companies, Duskin Group intends to prepare its consolidated financial statements based on Japanese generally accepted accounting principles (JGAAP). With regard to the adoption of International Financial Reporting Standards (IFRS), Duskin intends to monitor developments in Japan and overseas, and to respond appropriately to these developments.

# 4. Consolidated financial statements

## (1) Consolidated balance sheets

(millions of yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 18,846 | 15,881 |
| Notes and accounts receivable - trade | 9,950 | 10,211 |
| Lease receivables and investment assets | 1,326 | 1,196 |
| Securities | 24,461 | 23,404 |
| Merchandise and finished goods | 7,738 | 7,994 |
| Work in process | 142 | 193 |
| Raw materials and supplies | 1,598 | 1,459 |
| Other | 3,585 | 3,635 |
| Allowance for doubtful accounts | -37 | -28 |
| Total current assets | 67,611 | 63,948 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 43,486 | 43,062 |
| Accumulated depreciation | -26,490 | -27,024 |
| Buildings and structures, net | 16,996 | 16,038 |
| Machinery, equipment and vehicles | 24,975 | 25,326 |
| Accumulated depreciation | -18,484 | -18,620 |
| Machinery, equipment and vehicles, net | 6,491 | 6,706 |
| Land | 22,750 | 22,663 |
| Construction in progress | 178 | 574 |
| Other | 12,405 | 12,125 |
| Accumulated depreciation | -9,478 | -9,503 |
| Other, net | 2,927 | 2,621 |
| Total property, plant and equipment | 49,344 | 48,604 |
| Intangible assets | | |
| Goodwill | 549 | 429 |
| Other | 7,925 | 10,127 |
| Total intangible assets | 8,474 | 10,556 |
| Investments and other assets | | |
| Investment securities | 60,523 | 62,458 |
| Long-term loans receivable | 3 | 0 |
| Deferred tax assets | 3,073 | 2,092 |
| Guarantee deposits | 5,751 | 5,543 |
| Other | 1,310 | 1,048 |
| Allowance for doubtful accounts | -34 | -30 |
| Total investments and other assets | 70,627 | 71,114 |
| Total non-current assets | 128,446 | 130,275 |
| Total assets | 196,058 | 194,223 |

(millions of yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,834 | 6,845 |
| Short-term loans payable | 173 | — |
| Income taxes payable | 1,403 | 1,308 |
| Provision for bonuses | 3,397 | 3,491 |
| Asset retirement obligations | 18 | 9 |
| Accounts payable - other | 8,112 | 8,730 |
| Guarantee deposit received for rental products | 9,314 | 9,206 |
| Other | 4,731 | 4,738 |
| Total current liabilities | 33,985 | 34,330 |
| Non-current liabilities | | |
| Retirement benefit liability | 12,882 | 8,191 |
| Asset retirement obligations | 578 | 585 |
| Long-term guarantee deposits | 788 | 786 |
| Long-term accounts payable - other | 18 | 26 |
| Deferred tax liabilities | — | 75 |
| Reserves for losses on liquidation of subsidiaries and affiliates | — | 329 |
| Other | 18 | 14 |
| Total non-current liabilities | 14,286 | 10,009 |
| Total liabilities | 48,271 | 44,339 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 11,352 | 11,352 |
| Capital surplus | 11,087 | 11,091 |
| Retained earnings | 120,519 | 118,075 |
| Treasury shares | -3,571 | -1,565 |
| Total shareholders' equity | 139,388 | 138,954 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 9,878 | 9,920 |
| Deferred gains or losses on hedges | 1 | -1 |
| Foreign currency translation adjustment | -54 | -139 |
| Remeasurements of defined benefit plans | -1,798 | 894 |
| Total accumulated other comprehensive income | 8,026 | 10,673 |
| Share acquisition rights | 9 | 18 |
| Non-controlling interests | 361 | 237 |
| Total net assets | 147,786 | 149,884 |
| Total liabilities and net assets | 196,058 | 194,223 |

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

### Consolidated statements of income

(millions of yen)

| | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2019 |
|---|---|---|
| Net sales | 161,031 | 158,699 |
| Cost of sales | 87,808 | 86,138 |
| Gross profit | 73,222 | 72,560 |
| Selling, general and administrative expenses | 65,664 | 64,606 |
| Operating profit | 7,557 | 7,954 |
| Non-operating income | | |
| Interest income | 345 | 261 |
| Dividend income | 346 | 369 |
| Rent income on facilities | 152 | 162 |
| Commission income | 174 | 186 |
| Share of profit of entities accounted for using equity method | 220 | 683 |
| Miscellaneous income | 508 | 709 |
| Total non-operating income | 1,747 | 2,373 |
| Non-operating expenses | | |
| Interest expenses | 7 | 3 |
| Rent expenses on facilities | 57 | 79 |
| Cancellation penalty | 35 | 48 |
| Compensation expenses | 42 | 47 |
| Subsidies return loss | 45 | − |
| Miscellaneous loss | 137 | 137 |
| Total non-operating expenses | 326 | 316 |
| Ordinary profit | 8,978 | 10,011 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 133 | 164 |
| Gain on sales of investment securities | 24 | 66 |
| Insurance claim income | − | 190 |
| Other | 5 | 9 |
| Total extraordinary income | 163 | 431 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 93 | 34 |
| Loss on abandonment of non-current assets | 173 | 183 |
| Impairment loss | 840 | 1,025 |
| Loss on disaster | 0 | 179 |
| Provision of reserves for losses on liquidation of subsidiaries and affiliates | − | 329 |
| Loss on sales of investment securities | 93 | 211 |
| Other | 27 | 7 |
| Total extraordinary losses | 1,228 | 1,971 |
| Profit before income taxes | 7,913 | 8,471 |
| Income taxes – current | 2,821 | 2,701 |
| Income taxes – deferred | -228 | -156 |
| Total income taxes | 2,593 | 2,545 |
| Profit | 5,320 | 5,926 |
| Loss attributable to non-controlling interests | -4 | -58 |
| Profit attributable to owners of parent | 5,324 | 5,984 |

Consolidated statements of comprehensive income

(millions of yen)

| | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2019 |
|---|---|---|
| Profit | 5,320 | 5,926 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,123 | 48 |
| Deferred gains or losses on hedges | 1 | -1 |
| Foreign currency translation adjustment | 9 | -26 |
| Remeasurements of defined benefit plans, net of tax | 305 | 2,679 |
| Share of other comprehensive income of entities accounted for using equity method | 65 | -54 |
| Total other comprehensive income | 2,505 | 2,645 |
| Comprehensive income | 7,825 | 8,571 |
| Comprehensive income attributable to owners of parent | 7,829 | 8,631 |
| Comprehensive income attributable to non-controlling interests | -3 | -60 |

## (3) Consolidated statements of changes in net assets
FY2017 (April 1, 2017 - March 31, 2018)

(millions of yen)

| | Shareholders'equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 11,352 | 11,086 | 117,332 | -3,568 | 136,203 |
| Changes of items during the period | | | | | |
| Dividends of surplus | | | -2,137 | | -2,137 |
| Profit attributable to owners of parent | | | 5,324 | | 5,324 |
| Purchase of treasury shares | | | | -2 | -2 |
| Changes in equity of the parent company related to transactions with non-controlling shareholder | | 1 | | | 1 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | 1 | 3,186 | -2 | 3,185 |
| Balance at end of current period | 11,352 | 11,087 | 120,519 | -3,571 | 139,388 |

| | Accumulated other comprehensive income | | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 7,754 | - | -120 | -2,113 | 5,521 | - | 384 | 142,108 |
| Changes of items during the period | | | | | | | | |
| Dividends of surplus | | | | | | | | -2,137 |
| Profit attributable to owners of parent | | | | | | | | 5,324 |
| Purchase of treasury shares | | | | | | | | -2 |
| Changes in equity of the parent company related to transactions with non-controlling shareholder | | | | | | | | 1 |
| Net changes of items other than shareholders' equity | 2,123 | 1 | 65 | 314 | 2,505 | 9 | -22 | 2,491 |
| Total changes of items during the period | 2,123 | 1 | 65 | 314 | 2,505 | 9 | -22 | 5,677 |
| Balance at end of current period | 9,878 | 1 | -54 | -1,798 | 8,026 | 9 | 361 | 147,786 |

FY2018 (April 1, 2018 - March 31, 2019)

(millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 11,352 | 11,087 | 120,519 | -3,571 | 139,388 |
| Changes of items during the period | | | | | |
| Dividends of surplus | | | -2,672 | | -2,672 |
| Profit attributable to owners of parent | | | 5,984 | | 5,984 |
| Purchase of treasury shares | | | | -3,754 | -3,754 |
| Retirement of treasury shares | | -0 | -5,756 | 5,757 | - |
| Disposal of treasury shares | | 0 | | 2 | 3 |
| Changes in equity of the parent company related to transactions with non-controlling shareholder | | 4 | | | 4 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | 4 | -2,444 | 2,005 | -434 |
| Balance at end of current period | 11,352 | 11,091 | 118,075 | -1,565 | 138,954 |

| | Accumulated other comprehensive income | | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 9,878 | 1 | -54 | -1,798 | 8,026 | 9 | 361 | 147,786 |
| Changes of items during the period | | | | | | | | |
| Dividends of surplus | | | | | | | | -2,672 |
| Profit attributable to owners of parent | | | | | | | | 5,984 |
| Purchase of treasury shares | | | | | | | | -3,754 |
| Retirement of treasury shares | | | | | | | | - |
| Disposal of treasury shares | | | | | | | | 3 |
| Changes in equity of the parent company related to transactions with non-controlling shareholder | | | | | | | | 4 |
| Net changes of items other than shareholders' equity | 41 | -2 | -84 | 2,692 | 2,647 | 9 | -124 | 2,532 |
| Total changes of items during the period | 41 | -2 | -84 | 2,692 | 2,647 | 9 | -124 | 2,098 |
| Balance at end of current period | 9,920 | -1 | -139 | 894 | 10,673 | 18 | 237 | 149,884 |

(4) Consolidated statements of cash flows

(millions of yen)

| | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2019 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 7,913 | 8,471 |
| Depreciation | 6,339 | 6,542 |
| Amortization of goodwill | 190 | 189 |
| Increase (decrease) in allowance for doubtful accounts | 12 | -0 |
| Bad debts expenses | 3 | 5 |
| Interest and dividend income | -691 | -631 |
| Interest expenses | 7 | 3 |
| Foreign exchange losses (gains) | 25 | 2 |
| Share of loss (profit) of entities accounted for using equity method | -220 | -683 |
| Loss (gain) on sales of property, plant and equipment | -39 | -130 |
| Loss on retirement of property, plant and equipment | 117 | 182 |
| Loss (gain) on sales and redemption of investment securities | 69 | 145 |
| Insurance claim income | − | -190 |
| Impairment loss | 840 | 1,025 |
| Loss on disaster | 0 | 179 |
| Decrease (increase) in notes and accounts receivable – trade | -54 | -283 |
| Decrease (increase) in inventories | -370 | -175 |
| Increase (decrease) in notes and accounts payable – trade | -4 | 19 |
| Increase (decrease) in provision for bonuses | 141 | 93 |
| Increase (decrease) in retirement benefit liability | 1,422 | -824 |
| Increase (decrease) in reserves for losses on liquidation of subsidiaries and affiliates | − | 329 |
| Increase (decrease) in accrued consumption taxes | -302 | -49 |
| Decrease (increase) in lease investment assets | 113 | 86 |
| Decrease (increase) in other assets | -491 | 467 |
| Increase (decrease) in other liabilities | 852 | 537 |
| Subtotal | 15,873 | 15,311 |
| Interest and dividend income received | 926 | 996 |
| Interest expenses paid | -7 | -3 |
| Proceeds from insurance income | − | 190 |
| Payments for loss on disaster | -0 | -97 |
| Income taxes paid | -3,680 | -2,790 |
| Net cash provided by (used in) operating activities | 13,111 | 13,606 |

(millions of yen)

| | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2019 |
|---|---|---|
| Cash flows from investing activities | | |
| Decrease (increase) in time deposits | -505 | 1,019 |
| Purchase of securities | -21,900 | -25,105 |
| Proceeds from sales and redemption of securities | 22,771 | 20,928 |
| Purchase of property, plant and equipment | -4,181 | -4,439 |
| Proceeds from sales of property, plant and equipment | 1,158 | 363 |
| Purchase of investment securities | -11,944 | -5,514 |
| Proceeds from sales and redemption of investment securities | 9,891 | 10,840 |
| Purchase of shares of associates | — | -5,511 |
| Payments of loans receivable | -3 | -9 |
| Collection of loans receivable | 5 | 11 |
| Payments for leasehold and guarantee deposits | -321 | -150 |
| Proceeds from collection of leasehold and guarantee deposits | 709 | 205 |
| Payments for acquisition of businesses | -47 | -105 |
| Other payments | -3,555 | -5,142 |
| Other proceeds | 14 | 55 |
| Net cash provided by (used in) investing activities | -7,909 | -12,555 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 91 | -161 |
| Repayments of long-term loans payable | -10 | — |
| Purchase of treasury shares | -2 | -3,753 |
| Decrease (increase) in deposits for purchase of treasury shares | — | -24 |
| Cash dividends paid | -2,136 | -2,673 |
| Dividends paid to non-controlling interests | -1 | — |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | -164 | -59 |
| Purchase of investments in capital of subsidiaries that do not result in change in scope of consolidation | -9 | — |
| Other proceeds | — | 0 |
| Net cash provided by (used in) financing activities | -2,232 | -6,671 |
| Effect of exchange rate change on cash and cash equivalents | 6 | -19 |
| Net increase (decrease) in cash and cash equivalents | 2,975 | -5,640 |
| Cash and cash equivalents at beginning of period | 27,902 | 30,877 |
| Cash and cash equivalents at end of period | 30,877 | 25,237 |

(5) Notes to consolidated financial statements

(Notes relating to going concern assumption)

None

(Segment information)

a. Segment information

1. Overview of business segments

Duskin's reportable segments are components of the Company for which separate financial information is available, and whose 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.

Duskin is organized into two reportable segments, Direct Selling Group and Food Group, comprised of business operating units such as business groups and divisions based on product and service types.

Direct Selling Group, with a focus on direct selling, includes rental of cleaning tools, manufacturing and sales of cosmetics, rental of cabinet towels, sales of restroom products, rental of industrial wiper cloths, rental of water purifiers and air purifiers, house cleaning services, home cleaning and helper services, pest control and prevention services, tree and lawn care services, fixing scratches and dents, plant and facility management services, living support services for seniors, rental and sales of travel goods, baby goods, leisure goods, health and nursing care equipment, planning, sales and rental of uniforms and sales of coffee to offices. Food Group is comprised of food service businesses that include manufacturing and sales of donuts, sales of food and beverages, operation of pork cutlet restaurants, manufacturing ice confectionery, and sales of other food and beverages.

In FY2018, Clean & Care Group was renamed Direct Selling Group. This change has no impact on segment information. The name Direct Selling Group is used for the business segment in FY2017 (April 1, 2017 - March 31, 2018).

2. Method of calculating sales, income or loss, assets and others by business segment

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

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

3. Sales, income or losses, assets and others by business segment

Consolidated fiscal year 2017 (April 1, 2017 - March 31, 2018) (millions of yen)

| | Direct Selling Group | Food Group | Other Businesses (Note: 1) | Total | Adjustment (Note: 2) | Consolidated total |
|---|---|---|---|---|---|---|
| Sales | | | | | | |
| To outside customers | 111,223 | 37,616 | 12,191 | 161,031 | ― | 161,031 |
| Inter-segment sales and transfers | 718 | 8 | 2,225 | 2,951 | -2,951 | ― |
| Total | 111,941 | 37,624 | 14,416 | 163,982 | -2,951 | 161,031 |
| Segment income (loss) | 14,201 | 356 | 348 | 14,905 | -7,347 | 7,557 |
| Segment assets | 75,138 | 11,443 | 20,263 | 106,846 | 89,211 | 196,058 |
| Other | | | | | | |
| Depreciation | 3,228 | 658 | 1,547 | 5,434 | 782 | 6,216 |
| Property, plant and equipment and intangible assets increase | 2,487 | 1,518 | 1,618 | 5,624 | 1,387 | 7,012 |

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019) (millions of yen)

| | Direct Selling Group | Food Group | Other Businesses (Note: 1) | Total | Adjustment (Note: 2) | Consolidated total |
|---|---|---|---|---|---|---|
| Sales | | | | | | |
| To outside customers | 110,712 | 35,416 | 12,570 | 158,699 | ― | 158,699 |
| Inter-segment sales and transfers | 764 | 10 | 2,287 | 3,062 | -3,062 | ― |
| Total | 111,476 | 35,426 | 14,858 | 161,762 | -3,062 | 158,699 |
| Segment income (loss) | 13,406 | 320 | 387 | 14,114 | -6,160 | 7,954 |
| Segment assets | 83,171 | 12,135 | 21,336 | 116,644 | 77,579 | 194,223 |
| Other | | | | | | |
| Depreciation | 3,273 | 666 | 1,557 | 5,497 | 917 | 6,415 |
| Investments in entities accounted for using equity method | 5,900 | ― | 1,114 | 7,015 | ― | 7,015 |
| Property, plant and equipment and intangible assets increase | 3,763 | 1,565 | 1,811 | 7,140 | 2,326 | 9,466 |

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

Sales (millions of yen)

| | FY2017 | FY2018 |
|---|---|---|
| Inter-segment eliminations | -2,951 | -3,062 |
| Total | -2,951 | -3,062 |

Segment income (loss) (millions of yen)

| | FY2017 | FY2018 |
|---|---|---|
| Inter-segment eliminations | 44 | 62 |
| Corporate expenses (Note) | -7,391 | -6,222 |
| Total | -7,347 | -6,160 |

(Note) Corporate expenses include corporate administrative expnses.

Segment assets (millions of yen)

| | FY2017 | FY2018 |
|---|---|---|
| Inter-segment eliminations | -17,952 | -18,196 |
| Corporate assets (Note) | 107,163 | 95,776 |
| Total | 89,211 | 77,579 |

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

Depreciation (millions of yen)

| | FY2017 | FY2018 |
|---|---|---|
| Inter-segment eliminations | -0 | -0 |
| Corporate assets | 782 | 918 |
| Total | 782 | 917 |

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

| | FY2017 | FY2018 |
|---|---|---|
| Inter-segment eliminations | -2 | -1 |
| Corporate assets | 1,390 | 2,327 |
| Total | 1,387 | 2,326 |

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

b. Other related information

Consolidated fiscal year 2017 (April 1, 2017 - March 31, 2018)

1. Product and/or service segment information (millions of yen)

| | Direct Selling Group | Food Group | Other Businesses | Total |
|---|---|---|---|---|
| Sales to outside customers | 111,223 | 37,616 | 12,191 | 161,031 |

2. Geographic segment information

(1) Net sales

Since sales to outside customers in Japan exceed 90% of net sales on the consolidated statements of income, this information is omitted.

(2) Property, equipment and plant

Since the amount of property, equipment and plant in Japan exceeds 90% of the amount on the consolidated balance sheet, this information is omitted.

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019)

1. Product and/or service segment information (millions of yen)

| | Direct Selling Group | Food Group | Other Businesses | Total |
|---|---|---|---|---|
| Sales to outside customers | 110,712 | 35,416 | 12,570 | 158,699 |

2. Geographic segment information

(1) Net sales

Since sales to outside customers in Japan exceed 90% of net sales on the consolidated statements of income, this information is omitted.

(2) Property, equipment and plant

Since the amount of property, equipment and plant in Japan exceeds 90% of the amount on the consolidated balance sheet, this information is omitted.

c. Impairment losses on non-current assets by business segment

Consolidated fiscal year 2017 (April 1, 2017 - March 31, 2018) (millions of yen)

| | Direct Selling Group | Food Group | Other Businesses | Elimination or corporate | Total |
|---|---|---|---|---|---|
| Impairment loss | 406 | 403 | 5 | 25 | 840 |

(Notes)

1. Other Businesses are comprised of overseas businesses.
2. Elimination or corporate includes the impairment loss for corporate assets not attributable to any segment.

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019) (millions of yen)

| | Direct Selling Group | Food Group | Other Businesses | Elimination or corporate | Total |
|---|---|---|---|---|---|
| Impairment loss | 25 | 934 | 65 | - | 1,025 |

(Note) Other Businesses are comprised of a food service and lodging facility used for franchisee training programs.

d. Amortization of goodwill and unamortized amount of goodwill by business segment

Consolidated fiscal year 2017 (April 1, 2017 - March 31, 2018) (millions of yen)

| | Direct Selling Group | Food Group | Other Businesses | Elimination or corporate | Total |
|---|---|---|---|---|---|
| Amortization of goodwill | 184 | 0 | 6 | - | 190 |
| Balance (Notes) | 450 | 1 | 97 | - | 549 |

(Note) Goodwill at the end of the fiscal year includes 450 million yen of goodwill in Direct Selling Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 97 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019) (millions of yen)

| | Direct Selling Group | Food Group | Other Businesses | Elimination or corporate | Total |
|---|---|---|---|---|---|
| Amortization of goodwill | 169 | 6 | 13 | - | 189 |
| Balance (Note) | 324 | 25 | 80 | - | 429 |

(Note) Goodwill at the end of the fiscal year includes 324 million yen of goodwill in Direct Selling Group and 25 million yen of goodwill in Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 80 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

e. Information on gain on bargain purchase by business segments

Consolidated fiscal year 2017 (April 1, 2017 - March 31, 2018)

None

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019)

None

(Per share information) (yen)

| FY2017 (April 1, 2017- March 31, 2018) | | FY2018 (April 1, 2018 - March 31, 2019) | |
|---|---|---|---|
| Net assets per share | 2,758.28 | Net assets per share | 2,876.63 |
| Earnings per share | 99.63 | Earnings per share | 112.38 |
| Profit per share (fully diluted) | 99.63 | Profit per share (fully diluted) | 112.37 |

(Note) Profit per share and profit per share (fully diluted) is based on the following information.

| | FY2017 (April 1, 2017 - March 31, 2018) | FY2018 (April 1, 2018 - March 31, 2019) |
|---|---|---|
| Profit per share | | |
| Profit attributable to owners of parent (millions of yen) | 5,324 | 5,984 |
| Amounts not attributable to common shareholders (millions of yen) | - | - |
| Profit attributable to common stock owners of parent (millions of yen) | 5,324 | 5,984 |
| Average number of shares of common stock during the period (thousands shares) | 53,444 | 53,252 |
| | | |
| Profit per share (fully diluted) | | |
| Adjustments to profit attributable to owners of parent (millions of yen) | - | - |
| Increase in number of shares of common stock (thousands shares) | 2 | 6 |
| (Share acquisition rights) (thousands shares) | (2) | (6) |
| Outline of common stock equivalents not included in the calculation of profit per share (fully diluted) because they are not dilutive | - | - |

(Important post-balance sheet events)
None

## 5. Others

Changes in Directors

(1) Nominee for Director

Nobuko Sekiguchi

* The nominee will be submitted for approval at the annual general meeting of shareholders to be held on June 25, 2019.

*Ms. Sekiguchi is qualified as an Independent Director in accordance with regulations of the Tokyo Stock Exchange. Accordingly, a report will be submitted to the Tokyo Stock Exchange.

(2) Exiting Directors

Junko Katada

*Ms. Katada's term will expire and she will resign as Director at the end of the annual general meeting of shareholders to be held on June 25, 2019.