

Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2014 (Japanese Standards)

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

October 31, 2013

Company name: Duskin Co., Ltd. Shares listed: Tokyo
Code number: 4665 (URL <http://www.duskin.co.jp/corp/index.html>)
Representative: Teruji Yamamura, President & CEO
Contact: Akihisa Tsurumi, Executive Director Phone: (06) 6821-5071
Scheduled date of filing quarterly report: November 13, 2013
Scheduled date of dividend payment: December 3, 2013
Preparation of supplemental explanatory materials: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are dropped.)

1. Consolidated financial results for the period from April 1, 2013 - September 30, 2013

(1) Results of operation

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

	Sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
6 months ended Sept. 30, 2013	83,310	1.5	4,351	-8.4	5,327	-7.3	3,059	3.1
6 months ended Sept. 30, 2012	82,088	-3.9	4,751	12.1	5,746	7.8	2,967	3.5

(Note) Comprehensive income: Sept. 30, 2013: 4,013 million yen (51.5%) Sept. 30, 2012: 2,649 million yen (-8.7%)

	Net income per share	Net income per share (fully diluted)
	yen	yen
6 months ended Sept. 30, 2013	48.72	—
6 months ended Sept. 30, 2012	46.17	—

(2) Financial position

	Total assets	Net assets	Ratio of equity to total assets
	millions of yen	millions of yen	%
As of Sept. 30, 2013	201,860	154,640	76.1
As of Mar. 31, 2013	202,375	152,811	75.1

(Reference) Shareholders' equity: Sept. 30, 2013: 153,680 million yen Mar. 31, 2013: 151,891 million yen

2. Dividends

	Dividends per share				
	End of 1st Q	End of 2nd Q	End of 3rd Q	Year-end	Total (Annual)
	yen	yen	yen	yen	yen
Year ended Mar. 31, 2013	—	20.00	—	20.00	40.00
Year ending Mar. 31, 2014	—	40.00	—	—	—
Year ending Mar. 31, 2014 (Forecast)	—	—	—	20.00	60.00

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

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 FY2013 (April 1, 2013 - March 31, 2014)

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

	Sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year ending Mar. 31, 2014	173,000	2.9	6,300	-31.5	7,800	-29.3	4,400	-27.8	70.31

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

***Notes**

- (1) Changes in significant subsidiaries during the period (Changes in specific subsidiaries resulting in an adjustment to the scope of consolidation): None
- (2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: Yes
(Please refer to page 4, 2. Summary information (other information).)
- (3) 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
- (4) Number of shares issued (Common stock)

1) Number of shares issued at the end of the period (including treasury stock)	6 months ended Sept. 30, 2013	64,994,823	Year ended Mar. 31, 2013	64,994,823
2) Number of treasury stock at the end of the period	6 months ended Sept. 30, 2013	2,414,752	Year ended Mar. 31, 2013	1,913,819
3) Average number of shares during the period	6 months ended Sept. 30, 2013	62,794,774	6 months ended Sept. 30, 2012	64,285,365

* Implementation status of quarterly review

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

* Explanation regarding the appropriate use of business forecasts

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

The Company repurchased 500,000 shares on June 24, 2013. Net income per share in forecast of consolidated financial results is calculated based on the number of shares issued (excluding treasury stock) after this purchase.

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1. Qualitative information

(1) Business results

In the first six months ended September 30, 2013 (April 1 - September 30, 2013), Japan's overall economy recovered owing to improved corporate earnings as a result of the weaker yen and various government economic measures. However, the outlook is still unclear due to fears of a downturn caused by the higher cost of raw materials and a slowdown in overseas economies.

Under these circumstances, we are celebrating 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 innovate our sales systems in order to encourage more people to use our products and services.

As a result, consolidated sales were 83,310 million yen, up 1.5% from one year earlier. Consolidated operating income was 4,351 million yen, down 8.4% from one year earlier, due to a significant operating loss recorded by the Food Group. Ordinary income was 5,327 million yen, down 7.3% from one year earlier. However, net income was 3,059 million yen, up 3.1% from one year earlier, mainly because of the loss on valuation of investment securities in the same period of the previous year.

Results by business segment

1) Clean & Care Group

The Clean & Care Business, which provides cleaning tools and technical services to customers, conducted "Try Me Festival" promotion events for residential customers in shopping malls across Japan. This event welcomed prospective customers, with whom our sales representatives have few chances to meet at their homes, to try our products during their outings. Customers are encouraged to see how dust is removed by our products, and to experience the effectiveness and ease of use of our products. Through this event, we promoted a new, easy but thorough cleaning method using a floor mop, Lala and a handy mop, Shushu, which are stylish products with excellent performance. The method also uses the Dust Cleaner, which is an electric dust box placed on the floor that allows easily removing dust collected by mops. Rental sales of these products grew steadily, but sales of other mops decreased. As a result, sales of residential-use dust control products were the same level as in the same period of the previous year. Technical services for the residential market, including air-conditioner cleaning, kitchen and bathroom cleaning and housekeeping services, posted steady sales growth. As a result, total sales in the residential market were higher than in the first half of the previous year.

The commercial market continued to face a difficult business climate. The Clean and Care Group continued its 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. However, sales were lower than in the same period of the previous year mainly due to a decrease in sales of dust control products. Technical services in the commercial market posted higher sales than in the same period of the previous year due to favorable performance by the pest control service.

Rent-All continued to record favorable results in rental services for assisted-living and health care products, and event orders. As a result, sales for the Clean & Care Group totaled 55,023 million yen, up 1.5% from one year earlier. Operating income was 7,512 million yen, a 2.7% increase from one year earlier. This is because part of sales promotion expenses for 50th Anniversary Thank-you Campaigns will be carried over to the second half of the current fiscal year.

2) Food Group

Mister Donut, which is aiming to enhance its brand value, recorded higher sales than in the same period of the previous year. Mister Donut focused its efforts on pursuing even better taste. In April, Mister Donut introduced a new frying oil and glaze to enhance the flavor of donuts. At the same time, Mister Donut improved the dough of popular items, including Old Fashions. 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. New products continued to include seasonal products such as Pururun Pon De Ring in June, Chestnut Donut in August, as well as the products that drew customer attention through collaboration with leading companies. Included in these products are Calpico Donuts with Calpis Co., Ltd. and Family Curry Bans with House Foods Corporation. Also in September, MISDO Bits were released and well received among customers. With this product, a variety of one-bite size donuts in six flavors in a special package, Mister Donut offers a new way for several people to enjoy donuts. Including sales of Hachiya Dairy Products, which became a consolidated subsidiary in July 2012, sales of the Food Group totaled 22,999 million yen, a 1.0 % increase from one year earlier. However, Mister Donut recorded an operating loss of 144 million yen while operating income of 478 million yen was posted in the same period of the previous year. This is due to the higher cost of flour and raw materials and higher advertising expenses for the "TRY! NEW MISDO!" campaign.

3) Others

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 slightly lower sales than in the same period of the previous year. The Clean & Care Business posted higher sales than in the same period of the previous year in all overseas markets of Taiwan, China (Shanghai) and South Korea. In Taiwan, technical services recorded steady growth while benefitting from synergies with the dust control business. Sales activities to sign up residential customers resulted in higher sales than in the same period of the previous year. As a result, sales of Other Businesses, including affiliated companies such as the leasing company Duskin Kyoeki, totaled 5,286 million yen, up 3.2%, and operating income was 209 million yen, down 3.2% from one year earlier. Segment sales figures do not include consumption tax.

(2) Financial position

At the end of the second quarter, total assets were 201,860 million yen, a 514 million yen decrease from the end of the previous year. This is mainly due to a 4,764 million yen increase in investment securities, a 2,068 million yen increase in cash and deposits, a 6,199 million yen decrease in short-term marketable securities, and a 655 million yen decrease in intangible assets-other.

Total liabilities amounted to 47,219 million yen, a 2,343 million yen decrease compared to the end of the previous fiscal year. This is due to a 1,137 million yen decrease in accounts payable-other.

Net assets totaled 154,640 million yen, a 1,829 million yen increase from the end of the previous year. This is due to a 906 million yen purchase of treasury stock, offset partially by an increase in retained earnings of 1,797 million yen after dividend payments of 1,261 million yen from net income of 3,059 million yen, and an 837 million yen increase in valuation difference on available-for-sale securities.

(3) Forecast

No revisions have been made to the forecast for consolidated results of operations for the full fiscal year (April 1, 2013 -March 31, 2014) that was announced on May 15, 2013.

(Consolidated)

(millions of yen, %)

	Year ending Mar. 31, 2014 (forecast)		Year ended Mar. 31, 2013 (actual)		
		%	change (%)	%	
Sales	173,000	100.0	2.9	168,163	100.0
Operating income	6,300	3.6	-31.5	9,197	5.5
Ordinary income	7,800	4.5	-29.3	11,027	6.6
Net income	4,400	2.5	-27.8	6,092	3.6

(Non-consolidated)

(millions of yen, %)

	Year ending Mar. 31, 2014 (forecast)		Year ended Mar. 31, 2013 (actual)		
		%	change (%)	%	
Sales	148,000	100.0	1.9	145,275	100.0
Operating income	3,400	2.3	-46.9	6,399	4.4
Ordinary income	6,400	4.3	-32.3	9,446	6.5
Net income	3,900	2.6	-21.9	4,995	3.4

(Notes) The above forecasts are based on projections and assumptions using information available at the time of this announcement. Such projections and assumptions are subject to uncertainties inherent in future business operations. Actual results may differ materially for a number of reasons.

2. Summary information (Other information)

(1) Changes in significant subsidiaries during the period

None

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

Calculation of tax expenses

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

The income tax adjustment is included in income taxes on the statement of income.

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

None

3. Consolidated financial statements

(1) Consolidated balance sheets

	(millions of yen)	
	as of March 31, 2013	as of September 30, 2013
ASSETS		
Current assets		
Cash and deposits	19,255	21,323
Notes and accounts receivable-trade	10,366	10,105
Lease investment assets	1,782	1,649
Securities	13,998	7,799
Merchandise and finished goods	6,203	7,322
Work in process	175	154
Raw materials and supplies	2,133	2,124
Deferred tax assets	2,609	2,513
Other	2,684	2,798
Allowance for doubtful accounts	-46	-49
Total current assets	59,162	55,743
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	42,138	41,300
Accumulated depreciation	-24,262	-23,804
Buildings and structures, net	17,876	17,495
Machinery, equipment and vehicles	23,624	23,519
Accumulated depreciation	-17,247	-17,262
Machinery, equipment and vehicles, net	6,376	6,256
Land	24,231	24,198
Construction in progress	279	981
Other	13,683	13,099
Accumulated depreciation	-9,328	-9,319
Other, net	4,355	3,780
Total property, plant and equipment	53,120	52,712
Intangible assets		
Goodwill	688	666
Other	7,788	7,133
Total intangible assets	8,477	7,799
Investments and other assets		
Investment securities	67,684	72,448
Long-term loans receivable	108	27
Deferred tax assets	5,147	4,737
Guarantee deposits	7,498	7,369
Other	1,385	1,232
Allowance for doubtful accounts	-209	-210
Total investments and other assets	81,614	85,604
Total noncurrent assets	143,212	146,117
Total assets	202,375	201,860

(millions of yen)

	as of March 31, 2013	as of September 30, 2013
LIABILITIES		
Current liabilities		
Accounts payable-trade	6,975	6,588
Current portion of long-term loans payable	99	99
Income taxes payable	2,066	1,911
Provision for bonuses	3,362	3,065
Provision for point card certificates	1,292	1,212
Asset retirement obligations	2	9
Accounts payable-other	6,229	5,091
Guarantee deposit received for rental products-CL	10,326	10,275
Other	4,443	3,779
Total current liabilities	34,798	32,034
Noncurrent liabilities		
Long-term loans payable	89	38
Provision for retirement benefits	13,284	13,782
Provision for loss on guarantees	11	3
Asset retirement obligations	592	582
Long-term guarantee deposited	748	741
Long-term accounts payable-other	37	37
Other	0	0
Total noncurrent liabilities	14,764	15,185
Total liabilities	49,563	47,219
NET ASSETS		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	10,841	10,841
Retained earnings	132,222	134,019
Treasury stock	-3,092	-3,999
Total shareholders' equity	151,323	152,214
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	943	1,780
Deferred gains or losses on hedges	-3	—
Foreign currency translation adjustment	-371	-314
Total accumulated other comprehensive income	568	1,466
Minority interests	919	959
Total net assets	152,811	154,640
Total liabilities and net assets	202,375	201,860

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

Consolidated statements of income

(millions of yen)

	Six months	
	April 1, 2012 - September 30, 2012	April 1, 2013 - September 30, 2013
Net sales	82,088	83,310
Cost of sales	45,926	46,874
Gross profit	36,162	36,436
Selling, general and administrative expenses	31,411	32,084
Operating income	4,751	4,351
Non-operating income		
Interest income	470	487
Dividends income	142	136
Rent income on facilities	58	58
Commission fee	146	128
Gain on transfer of goodwill	131	11
Miscellaneous income	253	312
Total non-operating income	1,202	1,136
Non-operating expenses		
Interest expenses	2	1
Foreign exchange losses	34	—
Equity in losses of affiliates	31	63
Compensation expenses	46	47
Loss on cancellation of leasehold contracts	24	0
Miscellaneous loss	66	46
Total non-operating expenses	206	160
Ordinary income	5,746	5,327
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Gain on sales and redemption of investment securities	939	—
Other	8	2
Total extraordinary income	948	3
Extraordinary loss		
Loss on sales of noncurrent assets	3	2
Loss on abandonment of noncurrent assets	67	28
Impairment loss	67	64
Loss on valuation of investment securities	1,030	—
Other	9	3
Total extraordinary losses	1,178	97
Income before income taxes and minority interests	5,517	5,233
Income taxes	2,515	2,139
Income before minority interests	3,002	3,093
Minority interests in income	34	34
Net income	2,967	3,059

Consolidated statements of comprehensive income

(millions of yen)

	Six months April 1, 2012 - September 30, 2012	Six months April 1, 2013 - September 30, 2013
Income before minority interests	3,002	3,093
Other comprehensive income		
Valuation difference on available-for-sale securities	-375	834
Deferred gains or losses on hedges	-9	-0
Foreign currency translation adjustment	19	53
Share of other comprehensive income of associates accounted for using equity method	12	32
Total other comprehensive income	-352	919
Comprehensive income	2,649	4,013
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,607	3,957
Comprehensive income attributable to minority interests	42	56

(3) Notes relating to quarterly consolidated financial statements

(Notes relating to going concern assumption)

None

(Notes on significant changes in shareholders' equity)

None

(Segment information)

I Six-month period (April 1, 2012 - September 30, 2012)

1. Sales, profit/loss by business segment

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses (Note: 1)	Total	Adjustment (Note: 2)	Consolidated total (Note: 3)
Sales						
To outside customers	54,194	22,769	5,124	82,088	—	82,088
Inter-segment sales	482	7	1,213	1,702	-1,702	—
Total	54,677	22,776	6,337	83,791	-1,702	82,088
Segment income	7,317	478	216	8,012	-3,261	4,751

- (Notes) 1. "Other Businesses" are comprised of the businesses, that are not categorized in reportable business segments, including hospital management services, office equipment and vehicle leasing, insurance agent services, and overseas businesses.
2. Segment income adjustments of -3,261 million yen include a -8 million yen elimination for inter-segment sales and transfers and -3,253 million yen of corporate expenses that cannot be allocated to a particular business segment.
3. Segment operating income has been adjusted for consistency with operating income that is shown in the quarterly consolidated statements of income.

2. Impairment loss of noncurrent assets or goodwill by business segment

(Significant impairment loss on noncurrent assets)

None

(Significant change on the amount of goodwill)

Goodwill of 404 million yen is recorded in Food Group segment due to the acquisition of Hachiya Dairy Products Co., Ltd. as a subsidiary in May 2012. The amortization of goodwill during the six-month period ended September 30, 2012 and the balance of goodwill at the end of second quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	54	20	—	—	75
Balance (Note)	176	384	—	—	560

- (Note) The balance of goodwill at the end of the second quarter includes 384 million yen of goodwill in Food Group for Hachiya Dairy Products Co., Ltd., which was acquired in May 2012, 46 million yen of goodwill in Clean & Care Group for Ami Corporation, which was acquired in July 2008 (currently integrated into Duskin Serve Tohoku) and 101 million yen of goodwill in Clean & Care Group resulting from the purchase by the Company and its subsidiaries of the business operations of several franchisees.

(Significant gains on negative goodwill)

None

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

1. Sales, profit/loss by business segment

(millions of yen)

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

- (Notes) 1. "Other Businesses" are comprised of the businesses, that are not categorized in reportable business segments, including office equipment and vehicle leasing, insurance agent services, hospital management services, and overseas businesses.
2. Segment income adjustments of -3,227 million yen include a 0 million yen elimination for inter-segment sales and transfers and -3,227 million yen of corporate expenses that cannot be allocated to a particular business segment.
3. Segment operating income has been adjusted for consistency with operating income that is shown in the quarterly consolidated statements of income.

2. Impairment loss of noncurrent assets or goodwill by business segment

(Significant impairment loss on noncurrent assets)

None

(Significant change on the amount of goodwill)

There were no significant events that significantly affected the amount of goodwill during the second quarter ended September 30, 2013.

The amortization of goodwill during the second quarter and the balance of goodwill at the end of second quarter are as follows:

(millions of yen)

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

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

(Significant gains on negative goodwill)

None