Summary of Consolidated Financial Results for the First Nine 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.

January 30, 2014

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

Scheduled date of filing quarterly report: February 13, 2014
Scheduled date of dividend payment: -
Preparation of supplemental explanatory materials: None
Holding of quarterly financial results meeting: None

(Amounts less than one million yen are dropped.)

1. Consolidated financial results for the period from April 1, 2013 - December 31, 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	%
9 months ended Dec. 31, 2013	127,965	0.9	6,268	-20.6	7,596	-18.4	4,222	-22.1
9 months ended Dec. 31, 2012	126,866	-2.9	7,896	0.8	9,309	0.4	5,419	76.5

(Note) Comprehensive income: Dec. 31, 2013: 6,443 million yen (4.5%) Dec. 31, 2012: 6,165 million yen (108.6%)

	Net income per share	Net income per share (fully diluted)
	yen	yen
9 months ended Dec. 31, 2013	67.32	—
9 months ended Dec. 31, 2012	84.38	—

(2) Financial position

	Total assets	Net assets	Ratio of equity to total assets
	millions of yen	millions of yen	%
As of Dec. 31, 2013	200,356	154,739	76.6
As of Mar. 31, 2013	202,375	152,811	75.1

(Reference) Shareholders' equity: Dec. 31, 2013: 153,490 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 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	170,000	1.1	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)	9 months ended Dec. 31, 2013	64,994,823	Year ended Mar. 31, 2013	64,994,823
2)	Number of treasury stock at the end of the period	9 months ended Dec. 31, 2013	2,415,537	Year ended Mar. 31, 2013	1,913,819
3)	Average number of shares during the period	9 months ended Dec. 31, 2013	62,730,224	9 months ended Dec. 31, 2012	64,225,253

* 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) at the end of the third quarter ended December, 31, 2013.

Contents of attachment:

1. Qualitative information

(1) Business results

In the nine months ended December 31, 2013 (April 1 - December 31, 2013), Japan's economy recovered as various government economic measures led to improved corporate earnings. However, the outlook is still unclear due to the higher cost of raw materials and the Japanese government's decision to raise the consumption tax.

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.

As a result, consolidated sales were 127,965 million yen, up 0.9% from one year earlier. Earnings during the first nine months decreased from the previous fiscal year due to a significant operating loss in the Food Group. Consolidated operating income was 6,268 million yen, down 20.6%; ordinary income was 7,596 million yen, down 18.4%; and net income was 4,222 million yen, down 22.1% from one year earlier.

<Results by business segment>

1) Clean & Care Group

Clean & Care Business, which provides cleaning tools and technical services to customers, continued to face a difficult business climate in both the residential and commercial markets. As a result, sales were lower than one year earlier.

In the residential market, "Try Me Festival" promotion events were conducted across Japan. This event gave our prospective customers, with whom our sales representatives have few chances to meet at their homes, the opportunity to try our products during outings to shopping centers. We encouraged our customers to see how dust is removed by trying our products and experiencing the effectiveness and ease of use of our products. Events focused on promoting a new, easy but thorough cleaning method using the LaLa floor mop and the “shushu” handy mop, 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. Due to the success of these events, rental sales of the three products grew steadily. In addition, kitchen sponges featuring character designs and the Stylish Floor Mop Salala, a new product that can be used on uncoated floor surfaces such as plain wood (shiraki) and Japanese tatami mat, were well received among customers and sales increased. We introduced the Rose Series product line, upgrading our existing cleansers and other items with an elegant, luxurious rose aroma and image. Selected items from this Rose Series were packaged in our Clean-Living Box, which we offer specially for the year-end cleaning season every year. This Clean-Living Box paired with other items designed for the year-end sales campaign was well received among female customers and contributed to increased sales. However, total sales of mop products were lower than in the previous year due to lower sales of handy mops and other items. Rental sales of water purifiers also decreased. As a result, sales of residential-use dust control products were lower than one year earlier. On the other hand, technical services for the residential market, including air-conditioner cleaning, kitchen and bathroom cleaning, and housekeeping services, posted steady sales growth.

The commercial market has continued to face a difficult business climate for several years. 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. Furthermore, we have established “sales locations” that specialize in sales activities. By developing a sales structure to enhance combined sales efforts by the Duskin Head Office and our franchisees, we concentrated on improving relationships with our customers through repeated visits. However, sales of almost all dust control products, including mat products, the main products of this segment, were lower than in the same period of the previous year. However, technical services in the commercial market posted higher sales than one year earlier due to a strong performance by the pest control service.

Rent-All recorded higher sales for rental services for assisted-living and health care products and event orders.

As a result, sales for the Clean & Care Group totaled 88,465 million yen, up 0.6% from one year earlier. Operating income was 11,405 million yen, down 0.1% due to the up-front cost associated with the new mat product introduction.

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. In April, 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. And 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. Mister Donut focused on its efforts to develop new products that drew customer attention. Efforts include the release of Pon De Ring-Fresh donuts in commemoration of the 10th anniversary of Pon De Ring products, sales and promotional campaigns of seasonal products, as well as product development through collaboration with leading companies including Calpis Co., Ltd. Also MISDO Bits were released; this is a variety of bite-size donuts in six flavors in special packages of 6, 18 and 30 pieces. With this product, 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.

Including sales of Hachiya Dairy Products, which became a consolidated subsidiary in July 2012, sales of the Food Group totaled 35,645 million yen, a 1.0 % increase from one year earlier. However, Mister Donut recorded an operating loss of 137 million yen while operating income of 1,143 million yen was posted in the same period of the previous year. The loss was 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 decreased in Taiwan, Shanghai and South Korea due to a decline in the number of shops resulting from the closure of underperforming locations. As a result, Mister Donut's overseas business recorded lower sales than one year earlier.

The Clean & Care Business posted higher sales than in the same period of 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. However, in Shanghai, sales were lower than in the same period of the previous year due to a decrease in sales in the commercial market.

As a result, sales of Other Businesses, including affiliated companies such as the leasing company, Duskin Kyoeki, totaled 7,855 million yen, up 3.0%, and operating income was 241 million yen, down 14.9% from one year earlier.

On November 8, 2013, Typhoon Haiyan hit the Philippines and 28 Mister Donut shops were affected. However, the impact of the disaster on total Mister Donut sales was small and there was only a minimal effect on our performance.

(2) Financial position

At the end of the third quarter, total assets were 200,356 million yen, a 2,018 million yen decrease from the end of the previous fiscal year. This is due to a 7,505 million yen increase in investment securities, a 1,581 million yen increase in notes and accounts receivable-trade, a 7,999 million yen decrease in short-term marketable securities, and a 1,140 million yen decrease in deferred tax assets-noncurrent.

Liabilities amounted to 45,616 million yen, a 3,947 million yen decrease compared to the end of the previous fiscal year. This is due to a 1,679 million yen decrease in accrued income taxes and a 1,631 million yen decrease in the provision for bonuses.

Net assets totaled 154,739 million yen, a 1,928 million yen increase. This is due to a 908 million yen purchase of treasury stock, offset partially by an increase in retained earnings of 458 million yen after dividend payments of 3,764 million yen from net income of 4,222 million yen, and a 1,957 million yen increase in valuation difference on available-for-sale securities.

(3) Forecast

The forecast for FY2013, which ends on March 31, 2014, was revised as follows to reflect results of operations in the first three quarters of the fiscal year.

1) Revision of consolidated financial forecast for the fiscal year ending March 31, 2014
(April 1, 2013 - March 31, 2014)

	Sales millions of yen	Operating income millions of yen	Ordinary income millions of yen	Net income millions of yen	Net income per share yen
Previous forecast (A)	173,000	6,300	7,800	4,400	70.31
Revised forecast (B)	170,000	6,300	7,800	4,400	70.31
Change (B-A)	-3,000	—	—	—	—
Rate of change (%)	-1.7	—	—	—	—
(For reference) Results of the FY 2012	168,163	9,197	11,027	6,092	95.15

2) Revision of non-consolidated financial forecast for the fiscal year ending March 31, 2014
(April 1, 2013 - March 31, 2014)

	Sales millions of yen	Operating income millions of yen	Ordinary income millions of yen	Net income millions of yen	Net income per share yen
Previous forecast (A)	148,000	3,400	6,400	3,900	62.32
Revised forecast (B)	145,000	3,400	6,400	3,900	62.32
Change (B-A)	-3,000	—	—	—	—
Rate of change (%)	-2.0	—	—	—	—
(For reference) Results of the FY 2012	145,275	6,399	9,446	4,995	78.01

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 nine 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.

(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 December 31, 2013
ASSETS		
Current assets		
Cash and deposits	19,255	19,948
Notes and accounts receivable-trade	10,366	11,948
Lease investment assets	1,782	1,620
Securities	13,998	5,999
Merchandise and finished goods	6,203	6,806
Work in process	175	155
Raw materials and supplies	2,133	1,865
Deferred tax assets	2,609	1,631
Other	2,684	3,156
Allowance for doubtful accounts	-46	-63
Total current assets	59,162	53,068
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	42,138	41,571
Accumulated depreciation	-24,262	-23,850
Buildings and structures, net	17,876	17,720
Machinery, equipment and vehicles	23,624	23,579
Accumulated depreciation	-17,247	-17,328
Machinery, equipment and vehicles, net	6,376	6,251
Land	24,231	24,061
Construction in progress	279	736
Other	13,683	12,999
Accumulated depreciation	-9,328	-9,494
Other, net	4,355	3,505
Total property, plant and equipment	53,120	52,274
Intangible assets		
Goodwill	688	627
Other	7,788	6,796
Total intangible assets	8,477	7,424
Investments and other assets		
Investment securities	67,684	75,189
Long-term loans receivable	108	13
Deferred tax assets	5,147	4,006
Guarantee deposits	7,498	7,276
Other	1,385	1,303
Allowance for doubtful accounts	-209	-201
Total investments and other assets	81,614	87,589
Total noncurrent assets	143,212	147,288
Total assets	202,375	200,356

(millions of yen)

	as of March 31, 2013	as of December 31, 2013
LIABILITIES		
Current liabilities		
Accounts payable-trade	6,975	7,213
Short-term loans payable	—	33
Current portion of long-term loans payable	99	80
Income taxes payable	2,066	387
Provision for bonuses	3,362	1,730
Provision for point card certificates	1,292	675
Asset retirement obligations	2	13
Accounts payable-other	6,229	5,749
Guarantee deposit received for rental products-CL	10,326	10,588
Other	4,443	3,703
Total current liabilities	34,798	30,177
Noncurrent liabilities		
Long-term loans payable	89	—
Provision for retirement benefits	13,284	14,032
Provision for loss on guarantees	11	1
Asset retirement obligations	592	585
Long-term guarantee deposited	748	752
Long-term accounts payable-other	37	37
Other	0	29
Total noncurrent liabilities	14,764	15,439
Total liabilities	49,563	45,616
NET ASSETS		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	10,841	10,841
Retained earnings	132,222	132,680
Treasury stock	-3,092	-4,000
Total shareholders' equity	151,323	150,873
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	943	2,900
Deferred gains or losses on hedges	-3	0
Foreign currency translation adjustment	-371	-284
Total accumulated other comprehensive income	568	2,616
Minority interests	919	1,249
Total net assets	152,811	154,739
Total liabilities and net assets	202,375	200,356

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

Consolidated statements of income

(millions of yen)

	Nine months April 1, 2012 - December 31, 2012	Nine months April 1, 2013 - December 31, 2013
Net sales	126,866	127,965
Cost of sales	72,069	73,088
Gross profit	54,796	54,877
Selling, general and administrative expenses	46,900	48,608
Operating income	7,896	6,268
Non-operating income		
Interest income	698	709
Dividends income	201	220
Rent income on facilities	90	83
Commission fee	218	178
Gain on transfer of goodwill	131	11
Miscellaneous income	366	389
Total non-operating income	1,707	1,593
Non-operating expenses		
Interest expenses	3	2
Foreign exchange losses	40	7
Equity in losses of affiliates	64	99
Compensation expenses	65	101
Loss on cancellation of leasehold contracts	33	0
Miscellaneous loss	87	54
Total non-operating expenses	294	266
Ordinary income	9,309	7,596
Extraordinary income		
Gain on sales of noncurrent assets	0	6
Gain on sales and redemption of investment securities	939	—
Other	97	14
Total extraordinary income	1,037	20
Extraordinary loss		
Loss on sales of noncurrent assets	3	37
Loss on abandonment of noncurrent assets	118	84
Impairment loss	67	24
Loss on valuation of investment securities	706	—
Other	17	1
Total extraordinary losses	912	147
Income before income taxes and minority interests	9,433	7,469
Income taxes	3,962	3,110
Income before minority interests	5,470	4,358
Minority interests in income	51	135
Net income	5,419	4,222

Consolidated statements of comprehensive income

(millions of yen)

	Nine months April 1, 2012 - December 31, 2012	Nine months April 1, 2013 - December 31, 2013
Income before minority interests	5,470	4,358
Other comprehensive income		
Valuation difference on available-for-sale securities	657	1,954
Deferred gains or losses on hedges	2	-0
Foreign currency translation adjustment	22	89
Share of other comprehensive income of associates accounted for using equity method	10	40
Total other comprehensive income	694	2,084
Comprehensive income	6,165	6,443
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,104	6,271
Comprehensive income attributable to minority interests	60	171

(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 Nine-month period (April 1, 2012 - December 31, 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	83,954	35,282	7,629	126,866	—	126,866
Inter-segment sales	720	10	1,874	2,604	-2,604	—
Total	84,674	35,293	9,503	129,471	-2,604	126,866
Segment income	11,413	1,143	284	12,841	-4,945	7,896

(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 -4,945 million yen include a -8 million yen elimination for inter-segment sales and transfers and -4,936 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)

During the nine-month period ended December 31, 2012, 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 nine-month period ended December 31, 2012 and the balance of goodwill at the end of third quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	101	40	—	—	141
Balance (Note)	326	364	—	—	690

(Note) The balance of goodwill at the end of the third quarter includes 364 million yen of goodwill in Food Group for Hachiya Dairy Products Co., Ltd., which was acquired in May 2012, 270 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 31 million yen of goodwill in Clean & Care Group for Ami Corporation, which was acquired in July 2008 (currently integrated into Duskin Serve Tohoku).

(Significant gains on negative goodwill)

None

II Nine-month period (April 1, 2013- December 31, 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	84,465	35,645	7,855	127,965	—	127,965
Inter-segment sales	697	6	2,038	2,742	-2,742	—
Total	85,162	35,651	9,893	130,708	-2,742	127,965
Segment income	11,405	-137	241	11,509	-5,240	6,268

(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 -5,240 million yen include a 13 million yen elimination for inter-segment sales and transfers and -5,254 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 third quarter ended December 31, 2013.
The amortization of goodwill during the third quarter and the balance of goodwill at the end of third quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	104	62	7	—	174
Balance (Note)	337	290	—	—	627

(Note) The balance of goodwill at the end of the third quarter includes 326 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 283 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