Summary of Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2015 (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.

July 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: August 12, 2014
Scheduled date of dividend payment: -
Preparation of supplemental explanatory materials: No
Holding of quarterly financial results meeting: No

(Amounts less than one million yen are dropped.)

1. Consolidated financial results for the period from April 1, 2014 to June 30, 2014

(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	%
3 months ended Jun. 30, 2014	41,608	-0.5	436	-71.4	962	-53.0	431	-62.5
3 months ended Jun. 30, 2013	41,818	2.9	1,525	-39.6	2,046	-35.8	1,150	21.3

(Note) Comprehensive income: Jun. 30, 2014: 1,469 million yen (-9.7%) Jun. 30, 2013: 1,626 million yen (36.7%)

	Net income per share	Net income per share (fully diluted)
	yen	yen
3 months ended Jun. 30, 2014	7.01	—
3 months ended Jun. 30, 2013	18.27	—

(2) Financial position

	Total assets	Net assets	Ratio of equity to total assets
	millions of yen	millions of yen	%
As of Jun. 30, 2014	199,445	151,962	75.6
As of Mar. 31, 2014	202,778	151,903	74.3

(Reference) Shareholders' equity: Jun. 30, 2014: 150,684 million yen Mar. 31, 2014: 150,637 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, 2014	—	40.00	—	20.00	60.00
Year ending Mar. 31, 2015	—				
Year ending Mar. 31, 2015 (Forecast)		20.00	—	20.00	40.00

(Note) Revision of forecast for dividend recently announced: None
Dividends 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, 2014 - March 31, 2015)

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

	Sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
6 months ending Sept. 30, 2013	83,500	0.2	2,100	-51.7	3,000	-43.7	1,500	-51.0	24.36
Year ending Mar. 31, 2014	173,000	3.1	6,800	2.4	8,300	-0.3	4,700	5.7	76.32

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

(3) Changes in accounting principles and estimates, and retrospective restatements
1) Changes due to revision of accounting standards: Yes
2) Changes other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatements: None
(Please refer to page 4, 2. Summary information (Other information) (3) Changes in accounting principles and estimates, and retrospective restatements.)

(4) Number of shares issued (Common stock)

1)	Number of shares issued at the end of the period (including treasury stock)	3 months ended Jun. 30, 2014	63,494,823	Year ended Mar. 31, 2014	63,494,823
2)	Number of treasury stock at the end of the period	3 months ended Jun. 30, 2014	1,915,977	Year ended Mar. 31, 2014	1,915,897
3)	Average number of shares during the period (during the quarter)	3 months ended Jun. 30, 2014	61,578,871	3 months ended Jun. 30, 2013	62,955,664

* 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.

Contents of attachment:

1. Qualitative information

(1) Business results

In the first quarter of fiscal 2014 (April 1 - June 30, 2014), the overall economy in Japan moderately but steadily moved towards recovery. Some business sectors experienced lower demand following the demand surge before the consumption tax hike in April. This negative effect was also seen in some of our businesses.

Under these circumstances, we marked our 50th anniversary last year, and started a new step towards another 50 years. In fiscal 2014, the last year of our Medium-term Management Policy, we are continuing our initiatives aligned with our basic policy in order to innovate business systems from our customers' perspective. However, earnings were significantly lower although the decrease was within the range of the plan. Lower earnings were mainly due to a decline in sales of residential use dust control products and up-front costs associated a new type of dust cleaner.

(millions of yen)

	3 months ended June 30, 2013	3 months ended June 30, 2014	Increase/decrease	
				%
Consolidated sales	41,818	41,608	-209	-0.5%
Consolidated operating income	1,525	436	-1,089	-71.4%
Consolidated ordinary income	2,046	962	-1,084	-53.0%
Consolidated net income	1,150	431	-718	-62.5%

[Results by business segment]

(1) Clean & Care Group

Rent-All, which provides rental services ranging from daily commodities to items needed for events, performed well. However, sales of dust control products, the core products of this segment decreased. As a result, Clean & Care Group posted lower sales than one year earlier. Operating income also decreased due to the sales decrease, higher promotion expenses, and a large amount of up-front costs for the launch of the new dust cleaner. The demand for this new dust cleaner was so high that the larger up-front costs had to be incurred.

(millions of yen)

	3 months ended June 30, 2013	3 months ended June 30, 2014	Increase/decrease	
				%
Sales	27,335	26,603	-731	-2.7%
Operating income	3,305	1,827	-1,478	-44.7%

Sales of dust control products for residential use were lower from one year earlier. As a countermeasure for customer cancellations caused by the consumption tax hike, we introduced an economical set of three cleaning items: the *LaLa* floor mop, the *shushu* handy mop, and a dust cleaner. By promoting the new Cleaning Basic Three set, we approached customers who have not used these items as a set. However, our sales activities were not as intensive as in the previous year when 50th anniversary sales promotions were aggressively conducted. The number of new customers did not increase as we planned. As a result, the number of customers decreased from one year earlier.

Looking at the sales by product, rental sales of Cleaning Basic Three have been growing steadily, while rental sales of other floor and handy mops decreased. Sales of non-rental products, such as kitchen sponges, were lower than in the same period of the previous year. This was due to the negative effects following the surge of purchasing in the fourth quarter in FY2013 by our franchisees before the consumption tax hike.

Sales of dust control products for commercial customers were lower than one year earlier. We continued our efforts to promote “Professional kitchen sanitary management support services,” which offer comprehensive solutions with our products and services to maintain cleanliness at customers' shops and offices. However, our sales efforts were less aggressive than in the same period of the previous year. The number of customers decreased.

Due to the negative effects of surge of purchasing by our franchisees before the consumption tax hike, sales of paper towels and restroom related products, like the non-rental products for residential use, were lower than one year earlier. Sales of highly-functional “thin dust control and water absorption mats” and Smart mops steadily increased.

Technical services recorded slightly lower sales than one year earlier. Sales of technical services for commercial customers were lower, while technical services for residential customers, such as housekeeping services continued to grow steadily. As a result, royalty revenue from our franchisees was higher. However, technical services also experienced the negative effects of the last minute purchasing of equipment and chemicals before the consumption tax hike. As a result, technical service posted lower sales from one year earlier.

(2) Food Group

Food Group recorded higher sales than in the same period of the previous year. This was due to the favorable results at Mister Donut, the core business of this segment, and the steady performance of other food businesses. Earnings increased along with the increase in sales. As the MISDO CLUB point card program was discontinued at the end of September 2013, Mister Donut recorded the system-related expenses to exchange the remaining points until the expiration dates. At Food Group, higher expenses for test-marketing for new businesses were also recorded. As a result, Food Group recorded an operating loss.

(millions of yen)

	3 months ended June 30, 2013	3 months ended June 30, 2014	Increase/decrease	
				%
Sales	11,747	12,284	536	4.6%
Operating income	-245	-118	127	—

Mister Donut recorded higher sales than one year earlier even though the number of shops decreased. A new and lower-priced product line, *waff*, was introduced as a countermeasure for the consumption tax hike. The soft and airy texture and the price of *waff* were well received. *Mister Croissant Donut*, a new high value added product line, was also introduced. The good taste of this product, unique advertisements and a distinctive package design were well received among fashion-conscious women in their 20s and 30s. It contributed to an increase in the number of customers and the average purchase amount. As a result, Mister Donut sales increased significantly.

The other food service businesses also posted higher sales from one year earlier. Bakery Factory, a large suburban type bakery shop with a wide variety of products, started its test marketing in November 2013 and contributed to sales growth in the Food Group. Katsu & Katsu restaurants, remodeled from the previous year, introduced high value added menus with featured ingredients and regions. These menus were well received by a wide range of customers, including seniors and families. As a result, Katsu & Katsu steadily increased its sales.

(3) Other Businesses

Overseas consolidated subsidiaries increased their sales due to the weaker yen. However, Duskin Healthcare, which provides management services to medical facilities, recorded lower sales due to the effect of the consumption tax hike and the cancellation of a large account. As a result, Other Businesses sales were lower than one year earlier. As for operating income, Duskin Shanghai Co., Ltd., which operates a dust control business in Shanghai, China, recorded lower operating income mainly due to increased promotion expenses. Duskin Healthcare also posted lower operating income. Duskin Kyoeki, a leasing and insurance company, recorded higher operating income. As a result, Other Businesses recorded higher operating income.

(millions of yen)

	3 months ended June 30, 2013	3 months ended June 30, 2014	Increase/decrease	
				%
Sales	2,735	2,720	-14	-0.5%
Operating income	153	213	59	38.9%

Overseas Mister Donut posted steady sales growth in Taiwan, Thailand, the Philippines and Malaysia, except in Shanghai and South Korea where underperforming stores were closed in the previous year. The Clean &

Care Business posted higher sales than one year earlier in all three overseas markets of Taiwan, Shanghai and South Korea.

Segment sales figures do not include consumption tax.

(2) Financial Position

At the end of the first quarter, total assets were 199,445 million yen, a 3,333 million yen decrease from the end of the previous fiscal year. This was due to a 1,834 million yen increase in merchandise and finished goods and a 5,372 million yen decrease in cash and deposits.

Liabilities amounted to 47,483 million yen, a 3,392 million yen decrease from the end of the previous fiscal year. This was due to a 1,613 million yen decrease in the provision for bonuses, and a 1,413 million decrease in accounts payable-other.

Net assets totaled 151,962 million yen, a 59 million yen increase from the end of the previous fiscal year. This was due to a 977 million yen increase in valuation difference of available-for-sale securities, a 72 million yen increase in remeasurement of defined benefit plans, and a 963 million yen decrease in retained earnings.

(3) Forecast

No revisions have been made to the forecast for consolidated results of operations for FY2014 (April 1, 2014 - March 31, 2015) that was announced on May 14, 2014.

2. Summary Information (Other information)

(1) Changes in significant subsidiaries during the period

None

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

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

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

Change in accounting policies

(Adoption of Accounting Standard for Retirement Benefits)

Duskin adopted Accounting Standard for Retirement Benefits (ASBJ Statement No.26, issued on May 17, 2012, "Accounting Standard for Retirement Benefits" hereafter) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012, "Guidance on Accounting Standard for Retirement Benefits" hereafter), in terms of regulations stipulated in Article 35 of Accounting Standard for Retirement Benefits, and Article 67 of Guidance on Accounting Standard for Retirement Benefits, starting with the FY2014 first quarter. We have reviewed the calculation method of retirement benefit obligations and service cost, changed the method of attributing the expected retirement benefits to periods of service from the straight-line basis to the benefit formula basis, and changed the method of determining the discount rate from the use of a discount rate based on the closest number of years of the average remaining service life of employees to the use of a single weighted average discount rate based on the estimated period of benefit payments and the amount of payments in each estimated period.

The Accounting Standard and the Guidance have been applied in accordance with the transitional treatment stipulated in the Accounting Standard, Paragraph 37, and the amount of financial impact resulting from the change in the calculation method of retirement benefit obligations and service cost was added to or deducted from retained earnings at the beginning of the first quarter of FY2014.

As a result, net defined benefit liability at the beginning of the first quarter increased by 254 million yen and retained earnings decreased by 163 million yen. There was only a minimal effect of this change on operating income, ordinary income and net income before income taxes during the first quarter of the current fiscal year.

3. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	as of March 31, 2014	as of June 30, 2014
Assets		
Current assets		
Cash and deposits	20,370	14,998
Notes and accounts receivable - trade	10,701	10,483
Lease investment assets	1,610	1,630
Securities	6,500	7,999
Merchandise and finished goods	7,769	9,603
Work in process	164	171
Raw materials and supplies	1,763	1,599
Deferred tax assets	1,980	1,812
Other	2,667	3,351
Allowance for doubtful accounts	-37	-38
Total current assets	53,489	51,612
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,072	42,213
Accumulated depreciation	-24,101	-24,338
Buildings and structures, net	17,970	17,874
Machinery, equipment and vehicles	23,883	24,037
Accumulated depreciation	-17,389	-17,572
Machinery, equipment and vehicles, net	6,494	6,464
Land	24,192	24,192
Construction in progress	466	424
Other	13,281	13,238
Accumulated depreciation	-9,675	-9,817
Other, net	3,606	3,420
Total property, plant and equipment	52,729	52,376
Intangible assets		
Goodwill	600	562
Other	7,784	7,538
Total intangible assets	8,385	8,101
Investments and other assets		
Investment securities	74,968	74,935
Long-term loans receivable	13	13
Deferred tax assets	4,732	4,245
Guarantee deposits	7,249	6,960
Other	1,406	1,390
Allowance for doubtful accounts	-197	-191
Total investments and other assets	88,173	87,354
Total non-current assets	149,289	147,832
Total assets	202,778	199,445

(millions of yen)

	as of March 31, 2014	as of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,818	7,696
Short-term loans payable	33	33
Current portion of long-term loans payable	140	110
Income taxes payable	844	246
Provision for bonuses	3,175	1,562
Provision for point card certificates	438	332
Asset retirement obligations	9	10
Accounts payable - other	7,206	5,792
Guarantee deposit received for rental products-CL	10,203	9,993
Other	4,120	4,581
Total current liabilities	33,991	30,359
Non-current liabilities		
Long-term loans payable	69	50
Net defined benefit liability	15,358	15,626
Asset retirement obligations	582	590
Long-term guarantee deposited	748	745
Long-term accounts payable - other	94	82
Other	30	27
Total non-current liabilities	16,884	17,123
Total liabilities	50,875	47,483
Net assets		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	10,841	10,841
Retained earnings	130,300	129,337
Treasury stock	-3,326	-3,327
Total shareholders' equity	149,167	148,204
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,369	3,346
Foreign currency translation adjustment	-190	-230
Remeasurements of defined benefit plans	-709	-636
Total accumulated other comprehensive income	1,469	2,480
Minority interests	1,265	1,277
Total net assets	151,903	151,962
Total liabilities and net assets	202,778	199,445

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

Consolidated statements of income

(millions of yen)

	Three months April 1, 2013 - June 30, 2013	Three months April 1, 2014 - June 30, 2014
Net sales	41,818	41,608
Cost of sales	23,442	24,242
Gross profit	18,376	17,365
Selling, general and administrative expenses	16,851	16,929
Operating income	1,525	436
Non-operating income		
Interest income	244	238
Dividend income	128	123
Rent income on facilities	30	24
Commission fee	47	52
Share of profit of entities accounted for using equity method	―	27
Gain on transfer of goodwill	11	3
Miscellaneous income	124	90
Total non-operating income	586	560
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	32	―
Foreign exchange losses	―	3
Compensation expenses	15	10
Miscellaneous loss	16	19
Total non-operating expenses	65	33
Ordinary income	2,046	962
Extraordinary income		
Gain on sales of non-current assets	1	5
Gain on sales of investment securities	―	2
Other	1	0
Total extraordinary income	2	8
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on abandonment of non-current assets	13	28
Impairment loss	―	37
Other	0	14
Total extraordinary losses	15	80
Income before income taxes and minority interests	2,033	890
Income taxes	854	415
Income before minority interests	1,178	474
Minority interests in income	27	42
Net income	1,150	431

Consolidated statements of comprehensive income

(millions of yen)

	Three months April 1, 2013 - June 30, 2013	Three months April 1, 2014 - June 30, 2014
Income before minority interests	1,178	474
Other comprehensive income		
Valuation difference on available-for-sale securities	397	977
Deferred gains or losses on hedges	-0	—
Foreign currency translation adjustment	44	-40
Remeasurements of defined benefit plans, net of tax	—	71
Share of other comprehensive income of entities accounted for using equity method	7	-13
Total other comprehensive income	448	994
Comprehensive income	1,626	1,469
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,580	1,442
Comprehensive income attributable to minority interests	45	26

(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 Three-month period (April 1, 2013 - June 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	27,335	11,747	2,735	41,818	—	41,818
Inter-segment sales	248	2	697	949	-949	—
Total	27,584	11,750	3,433	42,767	-949	41,818
Segment income/loss	3,305	-245	153	3,213	-1,687	1,525

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

2. Segment adjustments of -1,687 million yen include a -6 million yen elimination for inter-segment sales and transfers and -1,694 million yen of corporate expenses that cannot be allocated to a particular business segment.

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

2. Impairment loss of non-current assets or goodwill by business segment

(Significant impairment loss on non-current assets)

None

(Significant change on the amount of goodwill)

There were no significant events that significantly affected the amount of goodwill during the first quarter ended June 30, 2013.
The amortization of goodwill during the first quarter and the balance of goodwill at the end of first quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	44	20	—	—	65
Balance (Note)	383	332	—	—	715

(Note) The balance of goodwill at the end of the first quarter includes 366 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 323 million yen of goodwill in Food Group for Hachiya Dairy Products Co., Ltd., which was acquired in May 2012.

(Significant gains on negative goodwill)

None

II Three-month period (April 1, 2014 - June 30, 2014)

1. Sales, profit/loss by business segment

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses (Note: 1)	Total	Adjustment (Note: 2)	Consolidated total (Note: 3)
Sales						
To outside customers	26,603	12,284	2,720	41,608	—	41,608
Inter-segment sales	234	1	692	928	-928	—
Total	26,838	12,285	3,412	42,536	-928	41,608
Segment income/loss	1,827	-118	213	1,922	-1,486	436

(Notes) 1. “Other Businesses” are comprised of the businesses, that are not categorized in reportable business segments, including office equipment and vehicle leasing, insurance agent services, hospital management services, and overseas businesses.

2. Segment adjustments of -1,486 million yen include a 7 million yen elimination for inter-segment sales and transfers and -1,493 million yen of corporate expenses that cannot be allocated to a particular business segment.

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

2. Impairment loss of non-current assets or goodwill by business segment

(Significant impairment loss on non-current assets)

None

(Significant change on the amount of goodwill)

There were no significant events that significantly affected the amount of goodwill during the first quarter ended June 30, 2014.

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

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	27	22	—	—	49
Balance (Note)	295	267	—	—	562

(Note) The balance of goodwill at the end of the first quarter includes 289 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 242 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