Summary of Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2017 (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 29, 2016

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: Hideyuki Naito, Director & Accounting Manager Phone: (06) 6821-5071
Scheduled date of filing quarterly report: August 10, 2016
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, 2016 to June 30, 2016

(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, 2016	40,620	-1.0	426	-61.6	882	-44.4	461	-49.7
3 months ended Jun. 30, 2015	41,015	-1.4	1,111	154.9	1,586	64.8	916	112.3

(Note) Comprehensive income: Jun. 30, 2016: -742 million yen (-%) Jun. 30, 2015: 1,899 million yen (29.3%)

	Net income per share	Net income per share (fully diluted)
	yen	yen
3 months ended Jun. 30, 2016	8.30	—
3 months ended Jun. 30, 2015	15.14	—

(2) Financial position

	Total assets	Net assets	Ratio of equity to total assets
	millions of yen	millions of yen	%
As of Jun. 30, 2016	185,393	141,791	76.0
As of Mar. 31, 2016	190,322	143,648	75.0

(Reference) Shareholders' equity: Jun. 30, 2016: 140,905 million yen Mar. 31, 2016: 142,727 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, 2016	—	20.00	—	20.00	40.00
Year ending Mar. 31, 2017	—				
Year ending Mar. 31, 2017 (Forecast)		20.00	—	20.00	40.00

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

3. Forecast of consolidated financial results for the FY2016 (April 1, 2016 - March 31, 2017)

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

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
6 months ending Sept. 30, 2016	82,800	0.3	1,600	-40.3	2,100	-38.8	1,200	-38.9	21.84
Year ending Mar. 31, 2017	166,500	0.8	4,400	-18.1	5,500	-18.0	3,100	3.9	56.57

(Note) Revision of forecast for consolidated financial results recently announced: None
Duskin's Board of Directors authorized the repurchase of the company stock on July 29, 2016.
The consolidated net income per share in the above forecast is adjusted for the share repurchase.

***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
(Note) Please refer to page 5, (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: 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)	3 months ended Jun. 30, 2016	57,494,823	Year ended Mar. 31, 2016	57,494,823
2)	Number of treasury stock at the end of the period	3 months ended Jun. 30, 2016	1,948,777	Year ended Mar. 31, 2016	1,948,572
3)	Average number of shares during the period (during the quarter)	3 months ended Jun. 30, 2016	55,546,124	3 months ended Jun. 30, 2015	60,547,356

* 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 not being performed at the time of the announcement of this summary of financial statements.

* 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 the Company 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. Qualitative information

(1) Business results

In the first quarter of fiscal 2016 (April 1- June 30, 2016), Japan's economy gradually recovered due to an improvement in the employment and income situation. However, the economic outlook became more uncertain due to continued concerns about slowdowns in the Chinese and other overseas economies, the earthquake in Kumamoto in April, and the June referendum in the UK in which voters approved an exit from the EU.

Duskin continued to use various initiatives to achieve a recovery in sales in the second year of Medium-term Management Policy 2015. Clean & Care Group, having achieved an increase in sales and income in the previous year, continued various initiatives to build a path to future growth. One initiative is enhancing and diversifying contact points with customers, which is Duskin's biggest strength. Clean & Care Group is also reviewing the cost structures of production & logistics, distribution and procurement as well as information systems. At Food Group, Mister Donut is working on rebuilding the brand while focusing its efforts on product development to meet the needs of customers. We are also working on the development of other food businesses. We continued our efforts for expanding our overseas businesses, including the acquisition of a Malaysian donut chain.

Consolidated sales were 40,620 million yen, a 394 million yen decrease (1.0%) from the same period of the previous year due to lower sales at both Clean & Care Group and Food Group. Consolidated operating income was 426 million yen, a 685 million yen decrease (61.6%) from one year earlier. This is mainly due to lower sales, increased expenses for retirement benefit (300 million yen) and promotional expenses incurred ahead of the original schedule at Clean & Care Group (400 million yen). Consolidated ordinary income was 882 million yen, a 703 million yen decrease (44.4%), and profit attributable to owners of parent was 461 million yen, a 455 million yen decrease (49.7%) from the same period of the previous year.

(millions of yen)

	3 months ended June 30, 2015	3 months ended June 30, 2016	Increase/decrease	
				%
Consolidated sales	41,015	40,620	-394	-1.0%
Consolidated operating income	1,111	426	-685	-61.6%
Consolidated ordinary income	1,586	882	-703	-44.4%
Quarter net income attributable to parent company shareholders	916	461	-455	-49.7%

[Results by business segment]

1. Clean & Care Group

Sales of dust control products, the core products of this segment, were lower than one year earlier. While the sales of the locations transferred from our franchisees in the previous year were added, the sales of the products shipped from Head Office were slightly lower, resulting in lower sales. The Rent-All, which rents daily commodities and equipment for various events, and Uniform businesses posted higher sales. However, sales of Clean & Care Group totaled 27,313 million yen, a 62 million yen decrease (0.2%) from the same period of the previous year. While the cost of Style Cleaner was lower, promotional expenses increased due to sales promotions using national newspaper inserts and TV commercials conducted ahead of the original schedule. As a result, operating income was 2,442 million yen, a 114 million yen decrease (4.5%) from one year earlier.

(millions of yen)

	3 months ended June 30, 2015	3 months ended June 30, 2016	Increase/decrease	
				%
Sales	27,375	27,313	-62	-0.2%
Operating income	2,557	2,442	-114	-4.5%

As for sales of products shipped, residential-use dust control products posted lower sales. Cleaning Basic Three with a set of cleaning items, the LaLa floor mop, the Shushu handy mop, and the Style Cleaner, performed well. However, sales of other mops were lower. As a result, the total mop sales were down from one year earlier. Sales of Kitchen Sponge were lower than in the same period of the previous year. This is due to the surge in demand at franchisees one year earlier as the Kitchen Sponge was renewed and the price was revised in July 2015. Sales of filter products and water purifiers and related products also decreased.

Sales of dust control products for commercial customers were higher than in the same period of the previous year. Office Drink/Snack Service, which was introduced as a new service to gain more access to commercial customers in the previous year, performed well. New products released during the first quarter included the water server which purifies tap water to eliminate the need for exchange of bottled water, and Fragrance Dome (fragrant urinal bowl scale preventing cleaner). These new products contributed to the sales increase. Among mat products, the main products of this segment, our original highly functional mats, such as Inside custom-made indoor use mats, thin dust control and water absorption mats continued to perform well. However, other mat products posted lower sales. As a result, total sales of mat products were slightly lower than in the same period of the previous year.

In the technical services sector, equipment and chemical sales to franchisees decreased, but the air-conditioner cleaning service and housekeeping service posted an increase in customer-level sales and royalty fees due to the increased workforce to meet growing market needs. In addition, sales of the locations transferred from our franchisees in the previous year were included in the sales. As a result, technical services sales were higher than in the same period of the previous year.

2. Food Group

At Mister Donut customer-level sales, royalty fees and raw material sales to our franchisees all decreased. While other food businesses recorded higher sales, sales of Food Group totaled 10,423 million yen, a 468 million yen decrease (4.3%) from the same period of the previous year. Earnings decreased due to the lower sales and higher product shipping expenses. Food Group recorded a 443 million yen operating loss, a 376 million yen increase (67 million yen operating loss in the same period of FY2015).

(millions of yen)

	3 months ended June 30, 2015	3 months ended June 30, 2016	Increase/decrease	
				%
Sales	10,892	10,423	-468	-4.3%
Operating income	-67	-443	-376	—

Mister Donut, the core business of Food Group, focused on developing and selling unique products. Included in these products are Croissant Muffin, a croissant dough baked in a muffin pan with a new texture that was introduced in April, a Wa Donut themed on Japanese ingredients introduced in May, Salt Donut, an arrangement of popular salt bread introduced in June, and Cotton Snow Candy which has been popular since its release in the previous year. With TV commercials featuring popular TV personalities, and sampling to taste fresh donuts made on site, which is Mister Donut's biggest strength, Mister Donut is conducting aggressive promotions to encourage more customers to visit its shops.

At the same time, Mister Donut is working on rebuilding the brand and conducting renovations to create a new concept store - V21 for its medium-term plan. Renovated shops are performing well. However, total customer-level sales were lower than one year earlier due to temporary closures for shop renovations and closures of underperforming shops.

Among other food businesses, the Don and Cafe Du Monde posted lower sales due to the decreased number of restaurants/shops. Pie Face opened the Maihama Ikspiari shop in Urayasu, Chiba in April. The Chiffon and Spoon opened the KITTE Hakata shop in Fukuoka and Seven Park Ario Kashiwa shop in Kashiwa, Chiba in April. Katsu & Katsu, which increased the number of restaurants during the previous year, and Bakery Factory posted higher sales. As a result, sales of other food businesses were higher than in the same period of the previous year. ICE DE LION which started its unit store for test marketing in February 2016 and opened the second unit store at Nitori Mall Hirakata, in Hirakata, Osaka in April.

3. Other Businesses

Our consolidated subsidiaries in Japan, Duskin Kyoeki, a leasing and insurance company, and Duskin Healthcare, which provides management services to medical facilities, both recorded higher sales and income. At Duskin Hong Kong, which procures raw materials and equipment, sales decreased due to the smaller volume of paper towels. Duskin Shanghai Co., Ltd, which operates Clean & Care Businesses in Shanghai, China performed well. The purchase of additional stock of Mister Donut Shanghai Co., Ltd made this company a consolidated subsidiary in August 2015, which led to a sales increase in overseas businesses. As a result, Other Businesses recorded sales of 2,883 million yen, a 136 million yen (5.0%) increase from one year earlier. Operating income was 102 million yen, a 44 million yen (75.7%) increase from one year earlier.

(millions of yen)

	3 months ended June 30, 2015	3 months ended June 30, 2016	Increase/decrease	
				%
Sales	2,747	2,883	136	5.0%
Operating income	58	102	44	75.7%

Clean & Care Businesses posted higher customer-level sales than one year earlier in Taiwan, Shanghai, China and South Korea. Sales of dust control products for the residential market in Shanghai steadily increased. Mister Donut recorded higher customer-level sales in Taiwan, Shanghai, South Korea, Thailand and the Philippines. But customer-level sales decreased in the Malaysia due to a delay in the shop opening schedule. Mister Donut grew steadily in Indonesia, where the first shop opened in May 2015.

Segment sales do not include consumption tax.

(2) Financial Position

At the end of first quarter, total assets amounted to 185,393 million yen, a 4,928 million yen decrease from the end of the previous fiscal year. This is mainly attributable to a 4,500 million yen decrease in short-term marketable securities.

Total liabilities were 43,602 million yen, a 3,071 million yen decrease mainly due to a 1,428 million yen decrease in the provision for bonuses and a 1,053 million yen decrease in accounts payable-other.

Net assets totaled 141,791 million yen, a 1,857 million yen decrease. This is mainly due to a 1,315 million yen decrease in valuation difference on available-for-sales securities and a 649 million yen decrease in retained earnings.

(3) Forecast

No revisions have been made to the forecast for consolidated results of operations for FY2016 (April 1, 2016 - March 31, 2017) and the FY2016 first half that was announced on May 13, 2016.

2. Summary Information (Other information)

(1) Changes in significant subsidiaries during the period

None

(2) Adoption of special accounting methods for preparation of consolidated 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 for consolidated subsidiaries are then calculated by multiplying quarterly net income before income taxes by this estimated effective tax rate.

(3) Changes in accounting policies, changes or modifications on financial statements

None

(4) Additional information

Implementation Guidance on Recoverability of Deferred Tax Assets

Effective of this first quarter of FY2016, Duskin adopted the revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued March 28, 2016).

3. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	19,006	16,801
Notes and accounts receivable - trade	10,109	10,042
Lease investment assets	1,460	1,420
Securities	19,528	15,027
Merchandise and finished goods	7,590	8,017
Work in process	174	216
Raw materials and supplies	1,432	1,359
Deferred tax assets	1,473	1,323
Other	2,524	3,660
Allowance for doubtful accounts	-39	-38
Total current assets	63,260	57,831
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,397	44,762
Accumulated depreciation	-25,494	-25,824
Buildings and structures, net	18,902	18,938
Machinery, equipment and vehicles	24,139	24,295
Accumulated depreciation	-17,618	-17,741
Machinery, equipment and vehicles, net	6,520	6,554
Land	23,588	23,629
Construction in progress	324	416
Other	13,100	12,353
Accumulated depreciation	-9,703	-9,066
Other, net	3,397	3,286
Total property, plant and equipment	52,733	52,824
Intangible assets		
Goodwill	305	546
Other	7,263	6,771
Total intangible assets	7,569	7,317
Investments and other assets		
Investment securities	56,608	56,728
Long-term loans receivable	8	7
Deferred tax assets	2,283	2,837
Guarantee deposits	6,408	6,388
Other	1,596	1,603
Allowance for doubtful accounts	-147	-145
Total investments and other assets	66,758	67,419
Total non-current assets	127,062	127,562
Total assets	190,322	185,393

(millions of yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,353	6,817
Current portion of long-term loans payable	9	9
Income taxes payable	413	222
Provision for bonuses	2,876	1,447
Asset retirement obligations	8	8
Accounts payable - other	7,057	6,003
Guarantee deposit received for rental products	9,657	9,554
Other	4,552	4,804
Total current liabilities	31,929	28,868
Non-current liabilities		
Long-term loans payable	10	7
Net defined benefit liability	13,286	13,223
Asset retirement obligations	643	675
Long-term guarantee deposited	728	752
Long-term accounts payable - other	74	74
Other	0	0
Total non-current liabilities	14,744	14,733
Total liabilities	46,673	43,602
Net assets		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	10,835	10,835
Retained earnings	119,910	119,260
Treasury shares	-3,843	-3,843
Total shareholders' equity	138,255	137,605
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,462	7,147
Deferred gains or losses on hedges	-18	-30
Foreign currency translation adjustment	-37	-143
Remeasurements of defined benefit plans	-3,934	-3,672
Total accumulated other comprehensive income	4,472	3,300
Non-controlling interests	920	885
Total net assets	143,648	141,791
Total liabilities and net assets	190,322	185,393

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

Consolidated statements of income

(millions of yen)

	Three months April 1, 2015 – June 30, 2015	Three months April 1, 2016 – June 30, 2016
Net sales	41,015	40,620
Cost of sales	23,669	22,680
Gross profit	17,346	17,940
Selling, general and administrative expenses	16,235	17,514
Operating income	1,111	426
Non-operating income		
Interest income	163	107
Dividend income	137	155
Rent income on facilities	23	23
Commission fee	61	55
Share of profit of entities accounted for using equity method	42	64
Miscellaneous income	106	166
Total non-operating income	536	573
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	45
Compensation expenses	9	14
Litigation expenses	30	—
Miscellaneous loss	20	57
Total non-operating expenses	60	116
Ordinary income	1,586	882
Extraordinary income		
Gain on sales of non-current assets	4	0
Other	—	0
Total extraordinary income	4	0
Extraordinary losses		
Loss on sales of non-current assets	2	7
Loss on abandonment of non-current assets	13	10
Impairment loss	59	—
Loss on disaster	—	65
Other	—	1
Total extraordinary losses	74	84
Profit before income taxes	1,515	798
Income taxes	596	339
Profit	919	459
Profit (loss) attributable to non-controlling interests	2	-2
Profit attributable to owners of parent	916	461

(Consolidated statements of comprehensive income)

(millions of yen)

	Three months April 1, 2015 – June 30, 2015	Three months April 1, 2016 – June 30, 2016
Profit	919	459
Other comprehensive income		
Valuation difference on available-for-sale securities	905	-1,315
Deferred gains or losses on hedges	6	-12
Foreign currency translation adjustment	-5	-83
Remeasurements of defined benefit plans, net of tax	68	265
Share of other comprehensive income of entities accounted for using equity method	6	-55
Total other comprehensive income	980	-1,201
Comprehensive income	1,899	-742
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,900	-710
Comprehensive income attributable to non-controlling interests	-0	-31

(3) Notes to consolidated financial statements

(Note regarding a going concern assumption)

None

(Notes on significant changes in shareholders' equity)

None

(Segment information)

I Three-month period (April 1, 2015- June 30, 2015)

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	27,375	10,892	2,747	41,015	−	41,015
Inter-segment sales	237	2	806	1,045	-1,045	−
Total	27,613	10,894	3,553	42,061	-1,045	41,015
Segment income/loss	2,557	-67	58	2,548	-1,436	1,111

(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 loss adjustments of 1,436 million yen include a 0 million yen elimination for inter-segment sales and transfers and -1,437 million yen expenses 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 noncurrent assets or goodwill by business segment

(Significant impairment loss on non-current assets)

None

(Significant change in the amount of goodwill)

There was no significant event that significantly affected the amount of goodwill during the first quarter of FY2015.

The amortization of goodwill during the first quarter of FY2015 and the balance of goodwill at the end of the first quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	29	17	−	−	47
Balance (Note)	310	143	−	−	453

(Note) Balance at the end of the first quarter includes 308 million yen of goodwill resulting from the acquisition by Duskin and its subsidiaries of the business operations of several franchisees at the Clean Group, and 126 million yen of goodwill of Hachiya Dairy Products at the Food Group, in May 2012.

(Significant gains on negative goodwill)

None

II Three-month period (April 1, 2016 - June 30, 2016)

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	27,313	10,423	2,883	40,620	—	40,620
Inter-segment sales	202	2	644	850	-850	—
Total	27,516	10,426	3,528	41,471	-850	40,620
Segment income/loss	2,442	-443	102	2,101	-1,675	426

(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 loss adjustments of 1,675 million yen include a 15 million yen elimination for inter-segment sales and transfers and -1,690 million yen expenses 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 noncurrent assets or goodwill by business segment

(Significant impairment loss on non-current assets)

None

(Significant change in the amount of goodwill)

Clean Group recorded 142 million yen of goodwill of Duskin Yatsushiro Co., Ltd. and 145 million yen of goodwill of Duskin Kagoshima Co., Ltd. resulting from the acquisition of these companies by Duskin.

The amortization of goodwill during the first quarter of FY2016 and the balance of goodwill at the end of the first quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	44	3	—	—	48
Balance (Note)	503	43	—	—	546

(Note) Goodwill at the end of the first quarter includes 503 million yen of goodwill at the Clean Group and 43 million yen of goodwill at the Food Group resulting from the acquisition by Duskin and its subsidiaries of the business operations of several franchisees.

(Significant gains on negative goodwill)

None