Summary of Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2018 (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 28, 2017

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
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Scheduled date of filing quarterly report: August 10, 2017
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, 2017 to June 30, 2017

(1) Results of operation

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

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
3 months ended Jun. 30, 2017	40,218	-1.0	1,797	321.7	2,294	160.0	1,611	249.3
3 months ended Jun. 30, 2016	40,620	-1.0	426	-61.6	882	-44.4	461	-49.7

(Note) Comprehensive income: Jun. 30, 2017: 3,660 million yen (-%) Jun. 30, 2016: -742 million yen (-%)

	Profit per share	Profit per share (fully diluted)
	yen	yen
3 months ended Jun. 30, 2017	30.15	—
3 months ended Jun. 30, 2016	8.30	—

(2) Financial position

	Total assets	Net assets	Ratio of equity to total assets
	millions of yen	millions of yen	%
As of Jun. 30, 2017	188,080	144,698	76.7
As of Mar. 31, 2017	190,116	142,108	74.5

(Reference) Shareholders' equity: Jun. 30, 2017: 144,324 million yen Mar. 31, 2017: 141,724 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, 2017	—	20.00	—	20.00	40.00
Year ending Mar. 31, 2018	—				
Year ending Mar. 31, 2018 (Forecast)		20.00	—	20.00	40.00

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

3. Forecast of consolidated financial results for the FY2017 (April 1, 2017 - March 31, 2018)

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

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
6 months ending Sept. 30, 2017	81,600	0.6	1,900	-24.4	2,600	-23.7	1,400	-33.5	26.19
Year ending Mar. 31, 2018	165,000	1.9	6,600	8.7	8,000	5.9	4,700	8.8	87.94

(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
(Note) Please refer to page 10, (2. Consolidated financial statements (3) Notes to consolidated financial statements (Adoption of special accounting methods for preparation of 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 shares)	3 months ended Jun. 30, 2017	55,194,823	Year ended Mar. 31, 2017	55,194,823
2)	Number of treasury shares at the end of the period	3 months ended Jun. 30, 2017	1,749,516	Year ended Mar. 31, 2017	1,749,382
3)	Average number of shares during the period (during the quarter)	3 months ended Jun. 30, 2017	53,445,386	3 months ended Jun. 30, 2016	55,546,124

* This summary of financial statements is exempt from the quarterly review.

* Explanation regarding the appropriate use of business forecasts
(Note for the financial forecast)
The financial forecast contained in this report is based on information available at the time of preparation of the report and certain assumptions considered reasonable, and thus Duskin makes no warranty as to the achievability of the forecast. Readers are advised that actual results may differ significantly from the forecast.
Based on the business results of the first quarter, we are currently reviewing the policies/initiatives and the timing of expenses that will be incurred during the second quarter or later in the year. If we believe the forecast for FY2017 needs to be revised, we will make an announcement as soon as the revision is made.

Contents of attachment:

1. Qualitative information

(1) Business results

In the first quarter of fiscal 2017 (April 1- June 30, 2017), Japan's economy gradually recovered due to an improvement in employment and personal income as corporate earnings have remained strong since the previous year. However, the economic outlook remains unpredictable due to continued uncertainties about overseas economies.

We continued to implement ONE DUSKIN, a long-term plan with a goal of uniting all Duskin businesses to serve our customers in a more effective and hospitable manner. In this final year of Medium-term Management Policy 2015, the first phase of ONE DUSKIN, Duskin is committed to implementing basic strategies and focused on achieving a recovery in sales to return the Duskin Group to a growth track.

Clean & Care Group, our core business group, posted higher sales, but Food Group recorded lower sales due to the closure of underperforming Mister Donut locations. As a result, consolidated sales were 40,218 million yen, a 402 million yen (1.0%) decrease from the previous year. Despite lower sales, consolidated operating profit was 1,797 million yen, a 1,371 million yen (321.7%) increase from the previous year. This is mainly due to lower expenses for retirement benefits and a change in the timing of investments for rental products and promotional expenses. Consolidated ordinary profit was 2,294 million yen, a 1,411 million yen (160.0%) increase. Profit attributable to owners of parent was 1,611 million yen, a 1,149 million yen (249.3%) increase from the previous year.

(millions of yen)

	3 months ended June 30, 2016	3 months ended June 30, 2017	Increase/decrease	
				%
Consolidated sales	40,620	40,218	-402	-1.0
Consolidated operating profit	426	1,797	1,371	321.7
Consolidated ordinary profit	882	2,294	1,411	160.0
Profit attributable to owners of parent	461	1,611	1,149	249.3

[Results by business segment]

Sales (millions of yen)

	3 months ended June 30, 2016	3 months ended June 30, 2017	Increase/decrease	
				%
Clean & Care Group	27,516	28,181	664	2.4
Food Group	10,426	9,169	-1,256	-12.1
Other Businesses	3,528	3,617	89	2.5
Total	41,471	40,968	-502	-1.2
Elimination for inter-segment sales and transfers	-850	-749	100	-
Consolidated sales	40,620	40,218	-402	-1.0

*Sales by segment above include inter-segment sales.

Operating profit/loss

(millions of yen)

	3 months ended June 30, 2016	3 months ended June 30, 2017	Increase/decrease	%
Clean & Care Group	2,442	3,335	892	36.5
Food Group	-443	89	532	-
Other Businesses	102	105	3	3.1
Total	2,101	3,529	1,428	68.0
Elimination for inter-segment sales and transfers, and corporate expense	-1,675	-1,732	-57	-
Consolidated operating profit	426	1,797	1,371	321.7

*Operating profit/loss above include inter-segment transactions.

1. Clean & Care Group

Sales of dust control products, the core category of this segment, were higher than in the previous year because the Robot Cleaner SiRo contributed to growth. In September 2016, Duskin started renting the SiRo in selected regions and rolled it out across Japan in the beginning of FY2017. Rent-All, which rents household products and equipment for various events, and Uniform Service and other businesses recorded higher sales. As a result, sales of the Clean & Care Group totaled 28,181million yen, a 664 million yen (2.4%) increase. Operating profit was 3,335 million yen, an 892 million yen (36.5%) increase. This is mainly due to moving forward promotional expenses and investments in Style Cleaner and other new items for rent as well as an increase in gross profit resulting from higher sales.

Among dust control products for residential use, Cleaning Basic Three, consisting of the LaLa floor mop, the Shushu handy mop and the Style Cleaner, performed well. However, sales of other mop products and filter products decreased. In other residential products, the Robot Cleaner SiRo contributed to sales growth. Our extensive promotions focusing on the popular Kitchen Sponge to attract new customers resulted in higher sales. As a result, total sales of dust control products for residential use were higher than one year earlier.

Among dust control products for commercial customers, Clear Kukan-M, an air purifier introduced for rental in January, contributed to sales growth. Custom-made indoor mats Inside and our original highly functional mats such as thin dust control and water absorption mats also posted higher sales. As a result, total sales of mat products were higher than one year earlier. However, total sales of dust control products for commercial customers were at the same level as in the previous year due partly to lower sales of mop products and Water Server units.

Sales of technical services were higher than in the previous year. Existing businesses, such as ServiceMaster, which provides professional cleaning services, and Merry Maids, which offers housekeeping services, performed well. Home Repair Service, which was started in this fiscal year to provide wall and floor repair services, contributed to sales growth. As a result, total customer-level sales were higher than one year earlier, and royalty fees and equipment/chemical sales to franchisees also increased.

2. Food Group

Mister Donut customer-level sales decreased, which led to a decrease in royalty fees and sales of raw materials to our franchisees. Food Group recorded lower sales due to the sale of a consolidated subsidiary during the previous year. As a result, sales of Food Group totaled 9,169 million yen, a 1,256 million yen (12.1%) decrease. Consolidated operating profit was 89 million yen, a 532 million yen increase compared with the 443 million yen operating loss in the previous year. This is due to lower expenses including transportation expenses.

Mister Donut, the core business at the Food Group, focused on shop renovations and opening new types of stores based on the new business policy announced in November 2016. Product development activities are focused on the theme "misdo meets" to offer attractive products in collaboration with companies with state-of-the-art technology and high quality materials. Matcha Sweets Premium with matcha of Gion Tsujiri, a Kyoto Uji tea specialty brand was released in April and well received among many customers. In late April, Cold Noodle with Vegetables, with noodles, soup, and toppings all made using vegetables, was released in collaboration with the popular noodle restaurant SORANOIRO. In June, Donut Curry developed with House Food Corporation was released. Mister Donut continued its promotional efforts, including campaigns with other companies, such as a collaboration campaign with Daio Paper Corporation and participation in "au everyday" by KDDI. However, total customer-level sales were lower than in the previous year due to closures of underperforming locations. During the first quarter, we opened four Mister Donut to go shops, our new takeout-only store.

Don Co., Ltd., a consolidated subsidiary operating a seafood donburi chain, was sold to Fujio Food System Co., Ltd., with all shares transferred in the previous fiscal year. As a result, sales of other food services were lower than one year earlier. While Katsu & Katsu, a pork cutlet specialty restaurant continued to perform well, Café Du Monde, Pie Face, a specialty pie store, the Chiffon & Spoon, a specialty chiffon cake shop and Bakery Factory, a large suburban bakery shop recorded lower sales.

3. Other Businesses

At Duskin Kyoeki, a leasing and insurance company, a large account's basic lease was changed to a re-leasing agreement. As a result, Duskin Kyoeki recorded lower sales. Duskin Healthcare, which provides management services to medical facilities, recorded higher sales due to the acquisition of a new customer. Total sales of overseas businesses were higher than one year earlier. The yen continued to be stronger than in the previous year. Mister Donut Shanghai recorded lower sales. Duskin Hong Kong, which procures raw materials and equipment, recorded higher sales due to the larger volume of paper towels. Big Apple, the largest donut chain in Malaysia, which Duskin acquired and made a subsidiary during FY2016, contributed to sales. As a result, sales of Other Businesses totaled 3,617 million yen, an 89 million yen (2.5%) increase from one year earlier. While Duskin Kyoeki and Duskin Healthcare recorded lower income, operating loss decreased at overseas businesses. As a result, operating profit was 105 million yen, a 3 million yen (3.1%) increase.

Clean & Care Businesses posted higher customer-level sales than one year earlier in Taiwan and Shanghai, China, but sales in South Korea were lower due to the cancellation of a large account. Mister Donut recorded higher sales from one year earlier in Taiwan and Indonesia while customer-level sales decreased in Shanghai, Thailand, the Philippines and Malaysia.

Segment sales figures do not include consumption tax.

(2) Financial Position

Net assets totaled 188,080 million yen at the end of the first quarter of FY2017, a 2,035 million yen decrease from the end of the previous fiscal year. This is mainly due to a 995 million yen increase in other current assets due to increases in accounts receivable - other and prepaid expenses and a 2,866 million yen decrease in cash and deposits.

Liabilities totaled 43,382 million yen, a 4,625 million yen decrease from the end of the previous fiscal year. This is mainly due to a 2,140 million yen decrease in accrued income taxes, a 1,728 million yen decrease in provision for bonuses, and a 1,116 million yen decrease in accounts payable-other.

Net assets totaled 144,698 million yen, a 2,589 million yen increase from the end of the previous fiscal year. This is mainly due to a 1,947 million yen increase in valuation difference on available-for-sales securities, and a 542 million yen increase in retained earnings.

(3) Forecast

No revisions have been made to the forecast for consolidated results of operations for FY2017 (April 1, 2017 - March 31, 2018) and the first half that was announced on May 15, 2017.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	21,200	18,333
Notes and accounts receivable - trade	9,887	10,005
Lease receivables and investment assets	1,359	1,400
Securities	16,018	15,027
Merchandise and finished goods	7,388	7,521
Work in process	157	202
Raw materials and supplies	1,557	1,495
Deferred tax assets	1,719	1,284
Other	2,766	3,761
Allowance for doubtful accounts	-34	-36
Total current assets	62,021	58,996
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,157	43,856
Accumulated depreciation	-26,388	-26,235
Buildings and structures, net	17,769	17,621
Machinery, equipment and vehicles	24,880	24,882
Accumulated depreciation	-18,134	-18,242
Machinery, equipment and vehicles, net	6,745	6,639
Land	23,628	23,459
Construction in progress	241	333
Other	11,903	11,965
Accumulated depreciation	-8,955	-9,145
Other, net	2,948	2,820
Total property, plant and equipment	51,334	50,874
Intangible assets		
Goodwill	793	742
Other	6,825	6,819
Total intangible assets	7,618	7,561
Investments and other assets		
Investment securities	58,979	61,426
Long-term loans receivable	5	4
Deferred tax assets	2,263	1,397
Guarantee deposits	6,304	6,264
Other	1,616	1,582
Allowance for doubtful accounts	-27	-27
Total investments and other assets	69,142	70,648
Total non-current assets	128,095	129,084
Total assets	190,116	188,080

(millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,836	6,970
Short-term loans payable	78	142
Current portion of long-term loans payable	10	7
Income taxes payable	2,337	197
Provision for bonuses	3,255	1,527
Asset retirement obligations	12	38
Accounts payable - other	7,583	6,466
Guarantee deposit received for rental products	9,421	9,353
Other	5,069	5,028
Total current liabilities	34,603	29,732
Non-current liabilities		
Net defined benefit liability	11,901	12,114
Asset retirement obligations	616	575
Long-term guarantee deposited	812	882
Long-term accounts payable - other	74	74
Other	0	3
Total non-current liabilities	13,403	13,649
Total liabilities	48,007	43,382
Net assets		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	11,086	11,086
Retained earnings	117,332	117,875
Treasury shares	-3,568	-3,569
Total shareholders' equity	136,203	136,745
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,754	9,702
Deferred gains or losses on hedges	—	1
Foreign currency translation adjustment	-120	-119
Remeasurements of defined benefit plans	-2,113	-2,004
Total accumulated other comprehensive income	5,521	7,579
Non-controlling interests	384	374
Total net assets	142,108	144,698
Total liabilities and net assets	190,116	188,080

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

Consolidated statements of income

(millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	40,620	40,218
Cost of sales	22,680	22,178
Gross profit	17,940	18,040
Selling, general and administrative expenses	17,514	16,242
Operating profit	426	1,797
Non-operating income		
Interest income	107	88
Dividend income	155	161
Rent income on facilities	23	39
Commission fee	55	43
Share of profit of entities accounted for using equity method	64	101
Miscellaneous income	166	106
Total non-operating income	573	542
Non-operating expenses		
Interest expenses	0	1
Foreign exchange losses	45	0
Rent expenses on facilities	13	13
Miscellaneous loss	58	30
Total non-operating expenses	116	45
Ordinary profit	882	2,294
Extraordinary income		
Gain on sales of non-current assets	0	2
Other	0	0
Total extraordinary income	0	2
Extraordinary losses		
Loss on sales of non-current assets	7	89
Loss on abandonment of non-current assets	10	28
Loss on disaster	65	0
Other	1	0
Total extraordinary losses	84	118
Profit before income taxes	798	2,178
Income taxes	339	575
Profit	459	1,603
Loss attributable to non-controlling interests	-2	-7
Profit attributable to owners of parent	461	1,611

Consolidated statements of comprehensive income

(millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	459	1,603
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,315	1,947
Deferred gains or losses on hedges	-12	1
Foreign currency translation adjustment	-83	-31
Remeasurements of defined benefit plans, net of tax	265	105
Share of other comprehensive income of entities accounted for using equity method	-55	33
Total other comprehensive income	-1,201	2,057
Comprehensive income	-742	3,660
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-710	3,668
Comprehensive income attributable to non-controlling interests	-31	-8

(3) Notes to consolidated financial statements

(Notes relating to going concern assumption)
None

(Notes on significant changes in shareholders' equity)
None

(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 profit before income taxes and minority interests for the fiscal year, including the first quarter. Tax expenses are then calculated by multiplying quarterly profit before income taxes and minority interests by this estimated effective tax rate.

(Segment information)
Segment information
I 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 and transfers	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 of corporate expenses that cannot be allocated to a particular business segment.
3. Segment operating profit/loss has been adjusted for consistency with operating profit 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 in the amount of goodwill)
Clean & Care 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 good will 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 in Clean & Care Group and 43 million yen of goodwill in Food Group resulting from the purchase by Duskin and its subsidiaries of the business operation of several franchisees.

(Significant gains on negative goodwill)
None

II Three-month period (April 1, 2017-June 30, 2017)

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	27,978	9,166	3,073	40,218	–	40,218
Inter-segment sales and transfers	202	3	543	749	-749	–
Total	28,181	9,169	3,617	40,968	-749	40,218
Segment income/loss	3,335	89	105	3,529	-1,732	1,797

(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 1,732 million yen include a 13 million yen elimination for inter-segment sales and transfers and -1,746 million yen of corporate expenses that cannot be allocated to a particular business segment.
3. Segment operating profit/loss has been adjusted for consistency with operating profit 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 in the amount of goodwill)
None
The amortization of goodwill during the first quarter of FY2017 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	43	–	5	–	48
Balance (Note)	538	–	203	–	742

(Notes) Goodwill at the end of the first quarter includes 538 million yen of goodwill in Clean & Care Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchises and 203 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

(Significant gains on negative goodwill)
None