Summary of Consolidated Financial Results for the First Six 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.

October 31, 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
Contact: Hideyuki Naito, Director Phone: (06) 6821-5071

Scheduled date of filing quarterly report: November 10, 2017
Scheduled date of dividend payment: December 4, 2017
Preparation of supplemental explanatory materials: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are dropped.)

1. Consolidated financial results for the period from April 1, 2017 to September 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	%
6 months ended Sept. 30, 2017	80,266	-1.0	4,349	73.0	5,244	54.0	3,570	69.6
6 months ended Sept. 30, 2016	81,091	-1.7	2,514	-6.2	3,406	-0.8	2,105	7.3

(Note) Comprehensive income: Sept. 30, 2017: 6,043 million yen (551.1%) Sept. 30, 2016: 928 million yen (-65.1%)

	Net profit per share	Net profit per share (fully diluted)
	yen	yen
6 months ended Sept. 30, 2017	66.81	66.81
6 months ended Sept. 30, 2016	38.06	—

(2) Financial position

	Total assets	Net assets	Ratio of equity to total assets
	millions of yen	millions of yen	%
As of Sept. 30, 2017	192,328	147,083	76.3
As of Mar. 31, 2017	190,116	142,108	74.5

(Reference) Shareholders' equity: Sept. 30, 2017: 146,715 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	—	20.00			
Year ending Mar. 31, 2018 (Forecast)			—	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		Net profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year ending Mar. 31, 2018	163,600	1.1	7,000	15.3	8,400	11.2	5,700	32.0	106.65

(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)	6 months ended Sept. 30, 2017	55,194,823	Year ended Mar. 31, 2017	55,194,823
2)	Number of treasury shares at the end of the period	6 months ended Sept. 30, 2017	1,749,847	Year ended Mar. 31, 2017	1,749,382
3)	Average number of shares during the period (during the quarter)	6 months ended Sept. 30, 2017	53,445,236	6 months ended Sept. 30, 2016	55,331,121

* 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.

Contents of attachment:

1. Qualitative information

(1) Business results

In the first half of fiscal 2017 (April 1- September 30, 2017), Japan's economy gradually recovered due to an improvement in employment and personal income as corporate earnings have remained strong. However, the economic outlook became more unclear due to growing political instability in the U.S. and increasing geopolitical risks.

In this final year of Medium-term Management Policy 2015, Duskin is focusing on achieving a recovery in sales to return the Duskin Group to a growth track. At Clean & Care Group, we are continuing our efforts to reinforce our customer contacts. We provide products and services for customers together with tips for simple and efficient cleaning. We are also diversifying technical services as customers' needs grow along with the increasing number of working women and senior households. Food Group is committed to re-establishing the Mister Donut brand with the slogan "Something good's gonna happen. Mister Donut" and developing other food businesses.

Clean & Care Group posted higher sales, but Food Group recorded lower sales due to the decreased sales of Mister Donut. As a result, consolidated sales were 80,266 million yen, an 824 million yen (1.0%) decrease from one year earlier. Despite lower sales, consolidated operating profit was 4,349 million yen, a 1,835 million yen (73.0%) increase from the same period of the previous year. This is mainly because cost of sales declined due to a decrease in investments in rental products and lower expenses for retirement benefits and promotional expenses. Consolidated ordinary profit was 5,244 million yen, a 1,838 million yen (54.0%) increase. Profit attributable to owners of parent was 3,570 million yen, a 1,464 million yen (69.6%) increase.

(millions of yen)

	6 months ended Sept. 30, 2016	6 months ended Sept. 30, 2017	Increase/decrease	
				%
Consolidated sales	81,091	80,266	-824	-1.0
Consolidated operating profit	2,514	4,349	1,835	73.0
Consolidated ordinary profit	3,406	5,244	1,838	54.0
Profit attributable to owners of parent	2,105	3,570	1,464	69.6

[Result by business segment]

Sales (millions of yen)

	6 months ended Sept. 30, 2016	6 months ended Sept. 30, 2017	Increase/decrease	
				%
Clean & Care Group	55,629	56,278	649	1.2
Food Group	20,290	18,340	-1,949	-9.6
Other Businesses	6,715	7,138	422	6.3
Total	82,636	81,758	-877	-1.1
Elimination for inter-segment sales and transfers	-1,545	-1,492	53	-
Consolidated sales	81,091	80,266	-824	-1.0

*Sales by segment above include inter-segment sales.

Operating profit/loss (millions of yen)

	6 months ended Sept. 30, 2016	6 months ended Sept. 30, 2017	Increase/decrease	
				%
Clean & Care Group	6,360	7,439	1,078	17.0
Food Group	-565	211	777	-
Other Businesses	143	167	24	17.0
Total	5,937	7,818	1,880	31.7
Elimination for inter-segment sales and transfers, and corporate expense	-3,423	-3,468	-45	-
Consolidated operating profit	2,514	4,349	1,835	73.0

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

1. Clean & Care Group

Sales of the Clean & Care Group rose 649 million yen (1.2%) to 56,278 million yen. Gross profit increased due to higher sales. Cost of sales decreased due to lower investments in Style Cleaner and other rental items, and expenses declined because promotional expenses were moved forward. As a result, operating profit was 7,439 million yen, a 1,078 million yen (17.0%) increase.

Among dust control products for residential use, total sales were higher than one year earlier despite a decrease in sales of certain products including range hood filters. This is partly due to an increase in sales of Cleaning Basic Three, consisting of the LaLa floor mop, the Shushu handy mop and the Style Cleaner. Our extensive promotions focusing on the popular Kitchen Sponge to attract new customers also contributed to sales growth, as well as the rental of the Robot Cleaner SiRo that started nationwide at the beginning of FY2017.

Among dust control products for commercial customers, Clear Kukan-M, an air purifier introduced for rental in January 2017, contributed to sales growth. Sales of Water Server units and restroom-related products declined. Sales of mat products, the core items of this segment, were at the same level as one year earlier. As a result, total sales of dust control products for commercial customers were at the same level as one year earlier. Custom-made indoor mats Inside, and thin dust control and water absorption mats continued to perform well because they were well received due to their unique and outstanding functions.

In the technical services sector, royalty fees increased due to higher customer-level sales. This is partly due to the Home Repair Service, which was started in this fiscal year to provide wall and floor repair services. ServiceMaster, which provides professional cleaning services, and Merry Maids, which offers housekeeping services, also contributed to higher customer-level sales. Equipment/chemical sales to franchisees increased, too. As a result, total sales of the technical services were higher than one year earlier.

Among other businesses of Clean & Care Group, Uniform Service recorded higher sales due to the larger number of customers. Rent-All, which rents household products and event equipment, Home Instead, which provides home care services for seniors, and cosmetics-related products also performed well.

2. Food Group

Sales of Food Group were 18,340 million yen, a 1,949 million yen (9.6%) decrease. This is mainly because customer-level sales of Mister Donut declined, and this resulted in decreased royalty fees and lower sales of raw materials to franchisees. Gross profit decreased due to lower sales. Expenses including transportation expenses also declined. As a result, consolidated operating profit was 211 million yen, a 777 million yen increase compared with the 565 million yen operating loss in the same period of the previous year.

With the theme "MISDO meets," Mister Donut, the core business at Food Group, focused on offering attractive products in collaboration with companies with state-of-the-art technology and high quality materials. Mister Donut developed and released new products jointly with Gion Tsujiri, a Kyoto Uji tea specialty brand, and the popular noodle restaurant SORANOIRO in April, and with House Food Corporation in June. In August, Vege Pop, a donut item using vegetables, was developed in collaboration with TANITA Corporation, a diversified health monitoring and promotion products company. In September, Mister Donut released the second lineup of jointly developed products, including "hot matcha au lait with soy milk whipped cream" with Gion Tsujiri, and "baitang noodle soup with mushrooms" with SORANOIRO. In addition, Mister Donut continued its marketing activities, including campaigns with other companies. Mister Donut took part in KDDI Corporation’s "Santaro Day" program in August, resulting in customer-level sales that were far higher than in the same month of the previous year. However, total first half customer-level sales were lower than one year earlier due to closures of underperforming locations. Mister Donut opened new shops and renovated existing shops with the new shop concepts. These new types of shops opened or renovated in the previous fiscal year and the first quarter of FY2017 performed well.

Katsu & Katsu, a pork cutlet specialty restaurant, recorded higher sales. Hachiya Dairy Products Co., Ltd., a consolidated subsidiary that manufactures ice cream, also posted higher sales due to increased orders. Café Du Monde posted lower sales due to the smaller number of shops. Pie Face, a specialty pie store, the Chiffon & Spoon, a specialty chiffon cake shop, and Bakery Factory, a large suburban bakery shop, also recorded lower sales. 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. The fourth shop of Pie Face (Eki Marché Osaka Shop), which opened as the first shop in the Kansai region in August, performed well.

3. Other Businesses

Duskin Kyoeki Co., Ltd., a leasing and insurance company, recorded lower sales mainly because a large account's basic lease was changed to a re-leasing agreement. Duskin Healthcare Co., Ltd., which provides management services to medical facilities, recorded higher sales due to the larger number of customers. Total sales of overseas businesses were higher than one year earlier. MISTER DONUT SHANGHAI CO., LTD. recorded lower sales. Duskin Hong Kong Co., Ltd., which procures raw materials and equipment, recorded higher sales due to the larger volume of paper towels. Big Apple Worldwide Holdings Sdn. Bhd., 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 7,138 million yen, a 422 million yen (6.3%) increase from one year earlier. Duskin Kyoeki Co., Ltd. recorded lower income due to lower sales. Duskin Healthcare Co., Ltd. also posted lower income due to an increase in recruiting expenses. Operating loss decreased at overseas businesses. As a result, operating profit was 167 million yen, a 24 million yen

(17.0%) increase.

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

Segment sales figures do not include consumption tax.

(2) Financial Position

Net assets totaled 192,328 million yen at the end of the second quarter of FY2017, a 2,211 million yen increase from the end of the previous fiscal year. This is mainly due to a 3,213 million yen increase in investment securities, a 1,890 million yen increase in marketable securities, a 2,018 million yen decrease in cash and deposits, and a 1,005 million yen decrease in deferred tax assets (non-current).

Liabilities totaled 45,244 million yen, a 2,763 million yen decrease from the end of the previous fiscal year. This is mainly due to a 1,486 million yen decrease in accounts payable-other and a 936 million yen decrease in accrued income taxes.

Net assets totaled 147,083 million yen, a 4,974 million yen increase from the end of the previous fiscal year. This is mainly due to a 2,501 million yen increase in retained earnings and a 2,272 million yen increase in valuation difference on available-for-sales securities.

(3) Forecast

The forecast for consolidated results of operations for FY2017 (April 1, 2017 to March 31, 2018) is as follows. No revisions have been made to the forecast since it was announced on October 12, 2017.

[Consolidated] (millions of yen)

	FY2017 (Forecast)			FY2016 (Result)	
		%	Change (%)		%
Sales	163,600	100.0	1.1	161,880	100.0
Operating profit	7,000	4.3	15.3	6,069	3.7
Ordinary profit	8,400	5.1	11.2	7,554	4.7
Profit attributable to owners of parent	5,700	3.5	32.0	4,318	2.7

[Non-consolidated] (millions of yen)

	FY2017 (Forecast)			FY2016 (Result)	
		%	Change (%)		%
Sales	135,300	100.0	0.8	134,245	100.0
Operating profit	4,600	3.4	13.0	4,069	3.0
Ordinary profit	7,100	5.2	9.6	6,478	4.8
Profit	4,800	3.5	28.9	3,723	2.8

(Note) This forecast is based on projections and assumptions made using information available at the time of the announcement. These projections and assumptions are subject to the uncertainties inherent in future business operations. Actual results may differ materially, depending on various factors.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	21,200	19,181
Notes and accounts receivable - trade	9,887	9,768
Lease receivables and investment assets	1,359	1,400
Securities	16,018	17,909
Merchandise and finished goods	7,388	7,520
Work in process	157	189
Raw materials and supplies	1,557	1,607
Deferred tax assets	1,719	1,506
Other	2,766	3,714
Allowance for doubtful accounts	-34	-37
Total current assets	62,021	62,760
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,157	44,109
Accumulated depreciation	-26,388	-26,474
Buildings and structures, net	17,769	17,635
Machinery, equipment and vehicles	24,880	25,132
Accumulated depreciation	-18,134	-18,382
Machinery, equipment and vehicles, net	6,745	6,749
Land	23,628	23,517
Construction in progress	241	75
Other	11,903	12,316
Accumulated depreciation	-8,955	-9,366
Other, net	2,948	2,950
Total property, plant and equipment	51,334	50,928
Intangible assets		
Goodwill	793	710
Other	6,825	6,764
Total intangible assets	7,618	7,474
Investments and other assets		
Investment securities	58,979	62,192
Long-term loans receivable	5	4
Deferred tax assets	2,263	1,258
Guarantee deposits	6,304	6,168
Other	1,616	1,564
Allowance for doubtful accounts	-27	-24
Total investments and other assets	69,142	71,164
Total non-current assets	128,095	129,567
Total assets	190,116	192,328

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,836	6,884
Short-term loans payable	78	164
Current portion of long-term loans payable	10	5
Income taxes payable	2,337	1,400
Provision for bonuses	3,255	2,972
Asset retirement obligations	12	40
Accounts payable - other	7,583	6,096
Guarantee deposit received for rental products	9,421	9,315
Other	5,069	4,590
Total current liabilities	34,603	31,469
Non-current liabilities		
Net defined benefit liability	11,901	12,371
Asset retirement obligations	616	599
Long-term guarantee deposited	812	776
Long-term accounts payable - other	74	23
Other	0	2
Total non-current liabilities	13,403	13,774
Total liabilities	48,007	45,244
Net assets		
Shareholders’ equity		
Capital stock	11,352	11,352
Capital surplus	11,086	11,086
Retained earnings	117,332	119,834
Treasury shares	-3,568	-3,570
Total shareholders’ equity	136,203	138,703
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,754	10,027
Deferred gains or losses on hedges	—	6
Foreign currency translation adjustment	-120	-127
Remeasurements of defined benefit plans	-2,113	-1,894
Total accumulated other comprehensive income	5,521	8,011
Subscription rights to shares	—	3
Non-controlling interests	384	365
Total net assets	142,108	147,083
Total liabilities and net assets	190,116	192,328

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

Consolidated statements of income

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	81,091	80,266
Cost of sales	44,876	44,006
Gross profit	36,214	36,259
Selling, general and administrative expenses	33,699	31,909
Operating profit	2,514	4,349
Non-operating income		
Interest income	213	181
Dividend income	158	163
Rent income on facilities	75	75
Commission fee	122	105
Share of profit of entities accounted for using equity method	100	149
Miscellaneous income	407	327
Total non-operating income	1,077	1,003
Non-operating expenses		
Interest expenses	0	2
Foreign exchange losses	56	—
Rent expenses on facilities	28	26
Compensation expenses	26	24
Miscellaneous loss	74	54
Total non-operating expenses	186	108
Ordinary profit	3,406	5,244
Extraordinary income		
Gain on sales of non-current assets	0	2
Gain on liquidation of investment securities	114	—
Other	0	0
Total extraordinary income	115	3
Extraordinary losses		
Loss on sales of non-current assets	15	89
Loss on abandonment of non-current assets	49	73
Impairment loss	67	24
Loss on disaster	153	0
Other	1	0
Total extraordinary losses	286	188
Profit before income taxes	3,234	5,059
Income taxes	1,141	1,506
Profit	2,093	3,553
Loss attributable to non-controlling interests	-12	-17
Profit attributable to owners of parent	2,105	3,570

Consolidated statements of comprehensive income

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	2,093	3,553
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,381	2,272
Deferred gains or losses on hedges	0	6
Foreign currency translation adjustment	-171	-24
Remeasurements of defined benefit plans, net of tax	530	211
Share of other comprehensive income of entities accounted for using equity method	-143	23
Total other comprehensive income	-1,165	2,490
Comprehensive income	928	6,043
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	997	6,061
Comprehensive income attributable to non-controlling interests	-68	-17

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

(Segment information)
Segment information
I Six-month period (April 1, 2016-September 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	55,221	20,285	5,584	81,091	−	81,091
Inter-segment sales and transfers	408	5	1,131	1,545	-1,545	−
Total	55,629	20,290	6,715	82,636	-1,545	81,091
Segment income/loss	6,360	-565	143	5,937	-3,423	2,514

(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 loss adjustments of 3,423 million yen include a 33 million yen elimination for inter-segment sales and transfers and -3,456 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 non-current assets or goodwill by business segment

(Significant impairment loss on non-current 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 half of FY2016 and the balance of goodwill at the end of the second quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	93	5	−	−	99
Balance (Note)	534	45	−	−	580

(Note) Goodwill at the end of the second quarter includes 534 million yen of goodwill in Clean & Care Group and 45 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 Six-month period (April 1, 2017-September 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	55,899	18,335	6,032	80,266	—	80,266
Inter-segment sales and transfers	379	5	1,106	1,492	-1,492	—
Total	56,278	18,340	7,138	81,758	-1,492	80,266
Segment income/loss	7,439	211	167	7,818	-3,468	4,349

(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 loss adjustments of 3,468 million yen include a 32 million yen elimination for inter-segment sales and transfers and -3,501 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 non-current assets or goodwill by business segment

(Significant impairment loss on non-current assets)
None

(Significant change in the amount of goodwill)
None
The amortization of goodwill during the first half of FY2017 and the balance of goodwill at the end of the second quarter are as follows:

(millions of yen)

	Clean & Care Group	Food Group	Other Businesses	Elimination or corporate	Consolidated total
Amortization - Goodwill	87	—	10	—	98
Balance (Note)	506	—	204	—	710

(Note) Goodwill at the end of the second quarter includes 506 million yen of goodwill in Clean & Care Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 204 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