

# Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020

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.

May 15, 2020  
Shares listed: Tokyo

Company name: Duskin Co., Ltd.  
Code number: 4665 URL: <https://www.duskin.co.jp/corp/index.html>  
Representative: Teruji Yamamura, President & CEO  
Contact: Hiroyuki Okubo, Operating Officer, Manager, Corporate Planning  
Scheduled date of general shareholders' meeting: June 23, 2020  
Scheduled date of dividend payment commencement: June 24, 2020  
Scheduled date for release of annual securities report: June 24, 2020  
Preparation of supplemental explanatory materials: Yes  
Holding of financial results meeting: No

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## 1. Consolidated financial results for the fiscal year ended March 31, 2020

(Amounts less than one million yen are dropped.)

### (1) Results of operation

(Percentages indicate the change against 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                         | %    |
| Year ended Mar. 31, 2020 | 159,102         | 0.3  | 6,577            | -17.3 | 7,929           | -20.8 | 5,591                                   | -6.6 |
| Year ended Mar. 31, 2019 | 158,699         | -1.4 | 7,954            | 5.2   | 10,011          | 11.5  | 5,984                                   | 12.4 |

Note: Comprehensive income - Year ended March 31, 2020: 2,178 million yen (-74.6%), Year ended March 31, 2019: 8,571 million yen (9.5%)

|                          | Profit per share | Profit per share (fully diluted) | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to sales |
|--------------------------|------------------|----------------------------------|------------------|--|------------------------------------|
|                          | yen              | yen                              | %                | %  | %                                  |
| Year ended Mar. 31, 2020 | 109.95           | 109.91                           | 3.8              | 4.2                                      | 4.1                                |
| Year ended Mar. 31, 2019 | 112.38           | 112.37                           | 4.0              | 5.1                                      | 5.0                                |

Reference: Share of profit (loss) of entities accounted for using equity method - Year ended March 31, 2020: 363 million yen, Year ended March 31, 2019: 683 million yen

### (2) Financial positions

|                     | Total assets    | Net assets      | Equity ratio | Net assets per share |
|---------------------|-----------------|-----------------|--------------|----------------------|
|                     | millions of yen | millions of yen | %            | yen                  |
| As of Mar. 31, 2020 | 185,158         | 142,031         | 76.6         | 2,872.99             |
| As of Mar. 31, 2019 | 194,223         | 149,884         | 77.0         | 2,876.63             |

Reference: Shareholders' equity - Year ended March 31, 2020: 141,739 million yen, Year ended March 31, 2019: 149,627 million yen

### (3) Cash flows

|                          | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of year |
|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                          | millions of yen                      | millions of yen                      | millions of yen                      | millions of yen                          |
| Year ended Mar. 31, 2020 | 8,850                                | 3,137                                | -10,022                              | 27,167                                   |
| Year ended Mar. 31, 2019 | 13,606                               | -12,555                              | -6,671                               | 25,237                                   |

## 2. Dividends

|                                      | Dividends per share |              |              |          |                | Total dividends (annual) | Dividend ratio (consolidated) | Ratio of dividends to shareholders' equity (consolidated) |
|--------------------------------------|---------------------|--------------|--------------|----------|----------------|--------------------------|-------------------------------|---|
|                                      | end of 1st Q        | end of 2nd Q | end of 3rd Q | Year-end | Total (annual) |                          |                               |   |
|                                      | yen                 | yen          | yen          | yen      | yen            | millions of yen          | %                             | %   |
| Year ended Mar. 31, 2019             | -                   | 30.00        | -            | 20.00    | 50.00          | 2,643                    | 44.5                          | 1.8   |
| Year ended Mar. 31, 2020             | -                   | 24.00        | -            | 32.00    | 56.00          | 2,803                    | 50.9                          | 1.9   |
| Year ending Mar. 31, 2021 (Forecast) | -                   | -            | -            | -        | -              |                          | -                             |   |

(Notes) 1. Dividends paid at the end of second quarter of the fiscal year 2019: ordinary dividend 20 yen, commemorative dividend 10 yen

2. Dividends for the fiscal year 2020 will be carefully considered in accordance with the basic policy of "a consolidated payout ratio of 50% and maintaining the stability and consistency of dividend payments" and will be announced in a timely manner when possible.

## 3. Forecast of consolidated financial results for the year ending March 31, 2021

The FY2020 forecast is yet to be determined because the impact of the COVID-19 on our sales and earnings cannot be reasonably estimated at this time. Duskin will announce the fiscal year forecast as soon as possible.

As part of measures to respond this crisis, Duskin will review and reduce its expenses and new investments. In addition, the directors (excluding outside directors) will voluntarily return 10-30% of their remuneration for six months. Remuneration returned will be used as part of the funds for supporting Duskin's franchisees.

## Notes

### (1) Changes in significant subsidiaries during the period

(Changes in specific subsidiaries resulting in an adjustment to the scope of consolidation): None

### (2) 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

### (3) Number of shares issued (Common stock)

|   |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
| 1. Number of shares issued at the end of period<br>(including treasury stock) | Year ended Mar. 31, 2020: 50,994,823 | Year ended Mar. 31, 2019: 52,694,823 |
| 2. Number of treasury stock at the end of the period                          | Year ended Mar. 31, 2020: 1,659,839  | Year ended Mar. 31, 2019: 679,822    |
| 3. Average number of shares during the period                                 | Year ended Mar. 31, 2020: 50,855,870 | Year ended Mar. 31, 2019: 53,252,182 |

## (Reference) Overview of the non-consolidated financial results

### Non-consolidated financial results for the fiscal year ended March 31, 2020

#### 1. Results of operations

(Percentages indicate the change against the previous fiscal year.)

|                           | Sales           |      | Operating profit |       | Ordinary profit |       | Profit          |      |
|---------------------------|-----------------|------|------------------|-------|-----------------|-------|-----------------|------|
|                           | millions of yen | %    | millions of yen  | %     | millions of yen | %     | millions of yen | %    |
| Year ended Mar. 31, 2020: | 127,838         | -1.4 | 3,956            | -24.7 | 7,419           | -13.0 | 5,614           | 8.0  |
| Year ended Mar. 31, 2019: | 129,592         | -2.2 | 5,254            | 6.9   | 8,529           | 14.1  | 5,198           | 10.5 |

|                           | Profit per share |  | Profit per share (fully diluted) |  |
|---------------------------|------------------|--|----------------------------------|--|
|                           | yen              |  | yen                              |  |
| Year ended Mar. 31, 2020: | 110.39           |  | 110.36                           |  |
| Year ended Mar. 31, 2019: | 97.62            |  | 97.60                            |  |

#### 2. Financial positions

|                     | Total assets    |  | Net assets      |  | Equity ratio |  | Net assets per share |  |
|---------------------|-----------------|--|-----------------|--|--------------|--|----------------------|--|
|                     | millions of yen |  | millions of yen |  | %            |  | yen                  |  |
| As of Mar. 31, 2020 | 169,444         |  | 116,069         |  | 68.5         |  | 2,351.63             |  |
| As of Mar. 31, 2019 | 181,109         |  | 125,271         |  | 69.2         |  | 2,407.99             |  |

Reference: Shareholders' equity - Year ended March 31, 2020: 116,018 million yen, Year ended March 31, 2019: 125,252 million yen

This summary of financial statements is exempt from the audit by certified public accountants or audit corporations.

#### 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. Analysis of business results and financial position .....  | 2  |
| (1) Analysis of business results .....  | 2  |
| (2) Financial position .....  | 5  |
| (3) Cash flows .....  | 5  |
| (4) Cash flow related indicators .....  | 6  |
| (5) Business risks associated with the novel coronavirus.....   | 6  |
| (6) Outlook .....   | 6  |
| (7) Basic policies for profit distributions and dividends<br>for the current and following fiscal years ..... | 7  |
| 2. Management guidelines .....  | 8  |
| (1) Basic management guidelines and medium-to long-term business plan .....                                   | 8  |
| (2) Financial goals .....   | 8  |
| (3) Key initiatives .....   | 8  |
| 3. Basic policies for selecting accounting standards .....  | 11 |
| 4. Consolidated financial statements .....  | 12 |
| (1) Consolidated balance sheets .....   | 12 |
| (2) Consolidated statements of income and statements of comprehensive income .....                            | 14 |
| (Consolidated statements of income) .....   | 14 |
| (Consolidated statements of comprehensive income) .....   | 15 |
| (3) Consolidated statements of changes in net assets .....  | 16 |
| (4) Consolidated statements of cash flows .....   | 18 |
| (5) Notes to consolidated financial statements .....  | 20 |
| (Notes relating to going concern assumption) .....  | 20 |
| (Segment information) .....   | 20 |
| (Per share information) .....   | 24 |
| (Important post-balance sheet events) .....   | 24 |
| 5. Others .....   | 25 |
| (1) Changes in Directors .....  | 25 |
| (2) Changes in Audit & Supervisory Board Members .....  | 25 |

## 1. Analysis of business results and financial position

### (1) Analysis of business results

During the fiscal year that ended on March 31, 2020 (FY2019), the Japanese economy continued to recover moderately with the support of the continuing improvement of employment and personal income, although consumer confidence was impacted by the consumption tax hike implemented in October. However, there is growing uncertainty about the global economy because of increasing U.S.-China trade friction. In the fourth quarter, the novel coronavirus had a negative effect on corporate earnings. As a result, the risk of an economic downturn increased and the outlook is uncertain.

Duskin implemented many initiatives during FY2019, which was the second year of Medium-Term Management Policy 2018. With the goal of providing a Daily Life Fine-Tuning Service, Direct Selling Group is concentrating on measures to strengthen cooperation among the dust control product rental business, Care Service Businesses (professional cleaning and technical services), services for seniors and other business units.

The Direct Selling Group started new initiatives to become a source of comprehensive services that are in tune with every family's daily rhythm, including the launch of a new business, the Duskin Wash (laundry service). In Care Service Businesses, the number of franchisees has steadily increased as a result of franchise recruitment activities in order to meet growing demand. Food Group continued to rebuild the Mister Donut brand by implementing a product strategy that is encouraging more customers to visit a Mister Donut shop and by opening and renovating shops.

Consolidated sales increased 403 million yen, or 0.3%, to 159,102 million yen due to higher sales in Food Group, while Direct Selling Group recorded lower sales. Operating profits declined from the previous year due to various factors specific to this fiscal year. Gross profit fell 501 million yen (0.7%) due to a 0.4-point increase in the cost of sales ratio as a result of higher expenses at laundry plants because of the soaring cost of labor and freight. In addition, 900 million yen was invested in IT system upgrades and sales promotion activities to respond to the October consumption tax increase. Retirement benefit and other expenses also increased. As a result, consolidated operating income decreased 1,377 million yen (17.3%) from the previous year to 6,577 million yen. Because of a decrease in net non-operating income, consolidated ordinary profit was down 2,082 million yen (20.8%) from the previous year to 7,929 million yen. NAC Co., Ltd., which became an equity-method affiliate in September 2018, is our largest franchisee. The company's main business is the housing sales business. NAC usually posts most of its profit in the second half and has a loss in the first half. Duskin started including this company's earnings in the consolidated statement of income in the second half of the previous fiscal year. As a result, NAC's first-half loss was included for the first time in FY2019. Due to the decline in NAC's earnings, share of profit of entities accounted for using the equity method decreased, resulting in a downturn of non-operating income. Despite an improvement in extraordinary income due to a gain on sales of investment securities resulting from the partial sale of investment securities and to a decrease in impairment losses, profit attributable to owners of the parent decreased by 393 million yen (6.6%) from the previous fiscal year to 5,591 million yen.

(millions of yen)

|   | Year ended<br>Mar. 31, 2019 | Year ended<br>Mar. 31, 2020 | Increase/decrease |       |
|---|-----------------------------|-----------------------------|-------------------|-------|
|   |                             |                             |                   | %     |
| Consolidated sales                      | 158,699                     | 159,102                     | 403               | 0.3   |
| Consolidated gross profit               | 72,560                      | 72,059                      | -501              | -0.7  |
| Consolidated operating profit           | 7,954                       | 6,577                       | -1,377            | -17.3 |
| Consolidated ordinary profit            | 10,011                      | 7,929                       | -2,082            | -20.8 |
| Profit attributable to owners of parent | 5,984                       | 5,591                       | -393              | -6.6  |

Result by business segment

Sales (millions of yen)

|                           | Year ended<br>Mar. 31, 2019 | Year ended<br>Mar. 31, 2020 | Increase/decrease |      |
|---------------------------|-----------------------------|-----------------------------|-------------------|------|
|                           |                             |                             |                   | %    |
| Direct Selling Group      | 111,476                     | 111,036                     | -440              | -0.4 |
| Food Group                | 35,426                      | 36,263                      | 836               | 2.4  |
| Other Businesses          | 14,858                      | 14,572                      | -285              | -1.9 |
| Total                     | 161,762                     | 161,872                     | 110               | 0.1  |
| Intersegment eliminations | -3,062                      | -2,769                      | 293               | —    |
| Consolidated sales        | 158,699                     | 159,102                     | 403               | 0.3  |

Sales by business segment above include intersegment sales.

Operating profit (loss) (millions of yen)

|  | Year ended<br>Mar. 31, 2019 | Year ended<br>Mar. 31, 2020 | Increase/decrease |       |
|--|-----------------------------|-----------------------------|-------------------|-------|
|  |                             |                             |                   | %     |
| Direct Selling Group                                 | 13,406                      | 11,603                      | -1,803            | -13.5 |
| Food Group   | 320                         | 681                         | 361               | 112.9 |
| Other Businesses                                     | 387                         | 442                         | 54                | 14.1  |
| Total  | 14,114                      | 12,726                      | -1,387            | -9.8  |
| Intersegment eliminations,<br>and corporate expenses | -6,160                      | -6,149                      | 10                | —     |
| Consolidated operating profit                        | 7,954                       | 6,577                       | -1,377            | -17.3 |

Operating profit or loss above includes intersegment transactions.

1. Direct Selling Group

Care Service Businesses, Rent-All business (rental of household items and equipment for various events) and Health Rent business (rental and sale of assisted-living and healthcare products) posted higher sales. However, Direct Selling Group sales decreased by 440 million yen (0.4%) to 111,036 million yen mainly due to a decrease in sales of dust control products. Operating profit decreased by 1,803 million yen (13.5%) from the previous year to 11,603 million yen due to a decrease in gross profit resulting from an increase in the cost of sales ratio and an increase in personnel expenses, IT system expenses in response to the consumption tax hike, and other expenses.

Sales of dust control products for residential use decreased due to a decline in sales of mainstay mop products caused by the impact of the consumption tax hike and other factors. Sales of bathroom showerhead water purifiers, which were a priority of sales activities, increased. Sales of fire extinguishers also increased due to replacement demand for the increasing number of extinguishers that had reached their expiration dates. At the same time, the group focused on enhancing customer convenience throughout the year and conducted activities to make more customers aware of the option of using credit cards instead of cash. Another initiative is measures to increase the number of members on the DDuet membership website. Sales of dust control products for commercial use were higher due to the increasing interest in sanitary management, which increased demand for the main unit of the Clear Kukan air purifiers. In addition, sales of sanitary management products increased in the fourth quarter due to the novel coronavirus. The larger number of Hygiene Masters who focus on business environment comfort and provide comprehensive solutions for sanitary management contributed to sales growth.

In Care Service Businesses, sales increased due to higher customer-level sales for ServiceMaster (professional cleaning services), Merry Maids (home cleaning and helper services), Terminix

(pest control and comprehensive hygiene management), Total Green (plant and flower care services), and Home Repair (fixing scratches and dents). Sales decreased in the uniform-related business, cosmetics-related business, and life care business (support for seniors) decreased. Rent-All, which performed well up until the third quarter, recorded lower earnings due to event cancellations and postponements because of COVID-19. However, sales were higher than in the previous year despite this challenging business climate.

## 2. Food Group

The number of shops decreased at Mister Donut, the core business of Food Group, because of closings of unprofitable locations. Despite the impact of COVID-19 in the fourth quarter, newly launched products were all very successful throughout the year. As a result, sales per store in operation increased significantly, resulting in an increase in total sales to all stores from the previous year. As a result, Food Group sales increased 836 million yen (2.4%) over the previous year to 36,263 million yen. Operating profit increased 361 million yen (112.9%) to 681 million, mainly due to an increase in gross profit because of the higher sales.

Mister Donut continued to focus on the MISDO Meets campaign. Products jointly developed with companies and brands with leading techniques and high-quality ingredients, including Gion Tsujiri, a Kyoto green tea specialty brand, Mon cher, a well-known patisserie, and PIERRE HERMÉ, the world's top pastry chef, were well received and contributed to sales growth. Mister Donut took steps to reinvigorate mainstay and popular donuts including Old Fashion, Chocolate, Pon De Ring and French Cruller, and to further improve the texture. In addition, Tapioca Drinks were launched in April to strengthen the selection of drinks and desserts during the summer, when demand is low. Sales of Tapioca Drinks have been consistently strong since April. MISDO Pokémon donuts were released in collaboration with Pokémon Company during the Christmas season and were very well received. The MISDO de Party Chu Collection, with merchandise featuring popular cartoon characters, was very popular and contributed to sales growth. As a result, customer-level sales per store in operation increased significantly.

The consumption tax hike, smaller number of locations and the novel coronavirus outbreak impacted other food service businesses. But Katsu & Katsu, pork cutlet specialty restaurants recorded the same level of sales as in the previous year. Sales of Bakery Factory, which are large bakery shops, Pie Face, a specialty pie brand, and Chiffon & Spoon specialty chiffon cake shops were lower. At consolidated subsidiary Hachiya Dairy Products, which produces OEM ice cream and other products sold by large dairy product companies, sales decreased because of cooler than usual early summer weather.

## 3. Other Businesses

Sales increased at consolidated subsidiaries in Japan: Duskin Kyoeki Co., Ltd., a leasing and insurance agency company, and Duskin Healthcare Co., Ltd., which provides medical facility management services. Total sales of consolidated subsidiaries outside Japan decreased. Sales increased at Duskin Shanghai Co., Ltd., which operates a dust control business in Shanghai, China, but sales decreased at Duskin Hong Kong Co., Ltd., which procures raw materials and equipment. Because Mister Donut Shanghai Co., Ltd. completed the closure of all of its shops at the end of March 2019, sales decreased. Sales of Big Apple Worldwide Holdings Sdn. Bhd., which operates donut shops mainly in Malaysia, were lower due to a decline in existing store sales. As a result, sales of Other Businesses decreased 285 million yen (1.9%) from the previous fiscal year to 14,572 million yen. Although earnings of Duskin Kyoeki Co., Ltd. and Duskin Healthcare Co., Ltd. declined, operating profit increased by 54 million yen (14.1%) from the previous year to 442 million yen mainly because of a decrease in the overseas business operating loss.

Customer-level sales outside Japan were higher in the Direct Selling businesses in all overseas regions where these businesses operate: Taiwan, China (Shanghai) and South Korea.

Customer-level sales at Mister Donut were flat in Taiwan, lower in Shanghai, China and Thailand,

and higher in the Philippines and Indonesia. Customer-level sales of Big Apple Worldwide Holdings decreased.

Segment sales do not include consumption tax.

## (2) Financial position

### a. Current assets

As of March 31, 2020, current assets amounted to 62,195 million yen, 1,753 million yen less than at the end of the previous fiscal year. This is mainly attributable to a decrease of 13,112 million yen in securities and an increase of 7,847 million yen in cash and deposits.

### b. Non-current assets

Non-current assets totaled 122,963 million yen at the end of the fiscal year, 7,311 million yen less than at the end of the previous fiscal year. This is mainly due to a decrease of 11,215 million yen in investment securities and increases of 1,756 million yen in property, plant and equipment and 1,482 million yen in deferred tax assets.

### c. Current liabilities

Current liabilities amounted to 34,392 million yen at the end of the fiscal year, 61 million yen more than at the end of the previous fiscal year. This is mainly due to a decrease of 338 million yen in accounts payable-other and an increase of 245 million yen in income taxes payable.

### d. Non-current liabilities

Non-current liabilities totaled 8,735 million yen at the end of the fiscal year, 1,273 million yen less than at the end of the previous fiscal year. This is mainly due to a 948 million yen decrease in net defined benefit liability.

### e. Net assets

Net assets totaled 142,031 million yen at the end of the fiscal year, 7,853 million yen less than at the end of the previous fiscal year. This is mainly due to decreases of 3,955 million yen in valuation difference on available-for-sale securities, 3,050 million yen in the treasury stock deduction mainly because of the purchase and retirement of treasury stock and 1,421 million yen in retained earnings, which resulted from profit attributable to owners of parent of 5,591 million yen, dividend payments of 2,265 million yen and a deduction of 4,728 million yen due to the retirement of treasury stock.

## (3) Cash flows

Cash and cash equivalents (cash) at the end of the fiscal year totaled 27,167 million yen, an increase of 1,930 million yen from 25,237 million yen at the end of the previous fiscal year.

### a. Cash flow from operating activities

Net cash provided by operating activities decreased from 13,606 million yen in the previous fiscal year to 8,850 million yen. Major components of cash flows were profit before income taxes of 8,471 million yen, depreciation of 7,044 million yen, income taxes paid of 2,649 million yen, and increases of 1,858 million yen in inventories and 1,470 million yen in notes and accounts receivable – trade.

### b. Cash flow from investing activities

Net cash provided by investing activities totaled 3,137 million yen compared with 12,555 million yen used in the previous fiscal year. There were proceeds of 30,755 million yen from sales of securities and investment securities and expenditures of 16,715 million yen for the purchase of securities and investment securities, 6,167 million yen for the purchase of property, plant and equipment, and 3,499 million yen for other payments.

c. Cash flow from financing activities

Net cash used in financing activities increased from 6,671 million yen in the previous fiscal year to 10,022 million yen. Payments of 7,779 million yen for the purchase of treasury stock and 2,266 million yen for cash dividends were the primary uses of cash.

(4) Cash flow related indicators

A summary of cash flow related indicators is presented below.

|  | FY2016   | FY2017  | FY2018  | FY2019   |
|--|----------|---------|---------|----------|
| Equity ratio (%)                                 | 74.5     | 75.2    | 77.0    | 76.6     |
| Equity ratio at market price (%)                 | 68.3     | 73.5    | 70.6    | 75.7     |
| Interest-bearing debt to cash flow ratio (years) | 0.0      | 0.0     | 0.0     | 0.0      |
| Interest coverage ratio (times)                  | 15,141.2 | 1,759.6 | 4,141.8 | 65,046.2 |

(Notes)

- These indicators are calculated using the following formulas based on consolidated figures.  
Equity ratio: (Net assets – share acquisition rights – non-controlling interests)/Total assets  
Equity ratio at market price: Current aggregate value of shares/Total assets  
Interest-bearing debt to cash flow ratio: Interest-bearing debt/Cash flows from operating activities  
Interest coverage ratio: Cash flows from operating activities/Interest expenses
- The current aggregate value of shares is calculated based on the number of shares outstanding at fiscal year-end, excluding treasury shares.
- Cash flows from operating activities in the consolidated statements of cash flows are used for the cash flows from operating activities.
- Interest-bearing debt covers all debt bearing interest recorded in the consolidated statement of financial position.
- Interest expenses in the consolidated statements of cash flows are used for the interest expenses.

(5) Business risks associated with the novel coronavirus

As of the date of this report, the COVID-19 pandemic is continuing to expand worldwide and concerns about an economic slowdown are also spreading worldwide. The impact on the Duskin Group's performance has been significant since the fourth quarter of FY2019. The uncertain outlook for this crisis, the further spread of COVID-19 and a longer duration of this crisis may further impact the Duskin Group's performance.

Duskin operates franchised businesses, including the rental of dust control products and event-related equipment and Mister Donut. We expect that recovering demand in our businesses will require a certain period of time. As a franchisor, we will use all possible measures to continue the business operations of our locations by ensuring a stable supply of products and services.

(6) Outlook

- The FY2020 forecast is yet to be determined because the impact of COVID-19 on our sales and earnings cannot be reasonably estimated at this time. We will announce the fiscal year forecast as soon as possible.
- As part of measures to respond to this crisis, we will review and reduce our expenses and new investments. In addition, our directors (excluding outside directors) will voluntarily return 10-30% of their remuneration for 6 months. Remuneration returned will be used as part of the funds for supporting our franchisees.



(7) Basic policies for profit distributions and dividends for the current and following fiscal years

Duskin considers the return of profits to shareholders to be one of our highest priorities. Our policy is to distribute a portion of the profit based on our performance while maintaining the proper balance with investments for sustainable growth and higher corporate value and with maintaining financial soundness to be prepared for potential risks. Duskin determines dividends for each fiscal year with a target consolidated payout ratio of 50% and will continue to pay stable dividends.

For FY2019, we plan to pay a year-end dividend of 32 yen per share and have paid an interim dividend of 24 yen per share. As a result, the total annual dividend per share will be 56 yen.

Regarding the dividend for FY2020, the sales and earnings for the fiscal year cannot be reasonably estimated at this time. We will announce the expected dividend with the fiscal year forecast as soon as possible.

Duskin's basic policy is to pay dividends from retained earnings twice a year: at the end of the fiscal year and at the end of the first half. The decision-making body for year-end dividends is the general shareholders' meeting. The Articles of Incorporation stipulate that Duskin may pay interim dividends with a record date of September 30 every year by resolution of the Board of Directors.

## 2. Management Guidelines

### (1) Basic management guidelines and medium-to long-term business plan

This section is omitted because there have been no significant changes since this information was announced on March 8, 2018 in a press release titled “Announcement of Medium-Term Management Policy Formulation” and on May 15, 2018 in Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018.

Duskin website

Announcement of Medium-Term Management Policy

<https://www.duskin.co.jp/english/ir/pdf/20180308.pdf>

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

<https://www.duskin.co.jp/english/ir/pdf/duskin2017.pdf>

### (2) Financial goals

This information was announced in a press release titled “Revision of the Financial Goals of the Medium-Term Management Policy” on May 15, 2019. As explained in (6) Outlook under 1. Analysis of business results and financial position, it is difficult at this time to reasonably estimate sales and earnings for FY2020, which is the last year of Medium-Term Management Policy 2018. We will promptly announce the full-year forecasts when this becomes possible.

### (3) Key initiatives

One of the most valuable strengths of Duskin is a network of franchisees with deep local roots. Duskin, as the franchisor, creates products and services that meet customers’ diversifying needs and franchisees serve customers directly. We believe that retaining a sound commitment to these activities is what our shareholders and the public expect of us and we are determined to meet these expectations for more growth of our sales and earnings.

#### a. Business environment

Japan, the main market for the Duskin Group, is in an era of dynamic change; the population is aging rapidly and there are growing concerns about labor shortages and senior care. In addition, people have become more conscious of food safety and reliability. More people prefer non-face-to-face transactions to buy and receive goods by using information technology (IT). Cashless payments are rapidly growing. Companies need to adapt to these changes in the business environment.

Duskin is committed to quickly identifying changes in our markets, anticipating future changes and responding to changing needs to increase our corporate value and grow sustainably.

| Vision for the second phase of ONE DUSKIN |   |
|---|---|
| Direct Selling Group                      | Evolving into Daily Life Fine-Tuning Services that help people fine-tune the rhythm of their daily activities   |
| Residential market                        | <ul style="list-style-type: none"> <li>● Comprehensive services that are in tune with each family's daily rhythm</li> </ul>   |
| Commercial market                         | <ul style="list-style-type: none"> <li>● Provide sanitary management solutions</li> </ul>   |
| Food Group                                |   |
| Mister Donut                              | <ul style="list-style-type: none"> <li>● Implement initiatives for the slogan "Something good's gonna happen. Mister Donut"</li> </ul>  |
| Other food service businesses             | <ul style="list-style-type: none"> <li>● Establish the next core businesses of Food Group</li> </ul>  |
| New growth                                |   |
| New businesses                            | <ul style="list-style-type: none"> <li>● M&amp;A, alliances with the public sector and other partners, new business development</li> </ul>                                    |
| Overseas operations                       | <ul style="list-style-type: none"> <li>● Establish Duskin Group brands in Asia</li> </ul>   |
| Strengthening our corporate culture       |   |
| Structural reforms                        | <ul style="list-style-type: none"> <li>● Reallocate corporate resources to raise emphasis on growing businesses</li> </ul>  |
| Corporate governance                      | <ul style="list-style-type: none"> <li>● Strengthen the decision-making and oversight functions of the Board of Directors and manage businesses with greater speed</li> </ul> |

| Major goals                         |   |
|-------------------------------------|---|
| Direct Selling Group                |   |
| Residential market                  | <ul style="list-style-type: none"> <li>● Reinforce customer contacts by using customer data sharing and other systems in order to provide comprehensive services that are in tune to each family's daily rhythm</li> <li>● Enhance our service capabilities to meet increasing demand for professional cleaning and technical services</li> </ul> |
| Commercial market                   | <ul style="list-style-type: none"> <li>● Enhance businesses targeting seniors</li> <li>● Establish a solid structure for using our sanitary management experts</li> </ul>   |
| Food Group                          |   |
| Mister Donut                        | <ul style="list-style-type: none"> <li>● Use MISDO Meets, MISDO GOHAN and other activities to give customers more reasons to visit a shop; continue renovating and opening more shops</li> </ul>  |
| Other food service businesses       | <ul style="list-style-type: none"> <li>● Expand the Katsu &amp; Katsu business with speed and flexibility; develop and reinforce other food service businesses</li> </ul>   |
| New growth                          |   |
| New businesses                      | <ul style="list-style-type: none"> <li>● Start businesses in domains that meet social needs and have the potential for synergies with current businesses of the Duskin Group</li> </ul>   |
| Overseas operations                 | <ul style="list-style-type: none"> <li>● Strengthen business activities in a manner that matches the characteristics of individual countries in Asia</li> </ul>   |
| Strengthening our corporate culture |   |
| Structural reforms                  | <ul style="list-style-type: none"> <li>● Constantly improve the efficiency of administrative operations and effectively use human resources</li> </ul>  |
| Corporate governance                | <ul style="list-style-type: none"> <li>● Continue discussions about the business portfolio strategy by the Board of Directors; increase the effectiveness of the Board of Directors and Board of Operating Officers</li> </ul>  |

b. Changes in the business environment

As consumer confidence in Japan remains unstable after the 2019 consumption tax hike, the COVID-19 pandemic has raised concerns about a global economic slowdown. We are facing an unprecedented crisis. This event is expected to have a significant impact on the operations of all our franchised chains, including Duskin and its franchisees. It is extremely difficult to forecast the degree of the impact and the duration of the crisis.

FY2020, the final year of Medium-Term Management Policy 2018, is an important year for us to address the remaining challenges in the policy. Given the present business environment, we recognize that our most pressing issue is the thorough management of expenses and cash flows by determining the proper use of the budgets. Another urgent challenge is how to respond to work style reform. We need to prioritize activities to raise employees' awareness about work and arrange a better work environment.

Additional priorities to address due to changes in the business environment

Our top priority is ensuring the safety of customers and employees of Duskin and franchisees; we are making every effort to protect them from COVID-19. Equally important in our business is maintaining the franchise chain. As a franchisor, Duskin is dedicated to helping our franchisees stay in business by consistently supplying products and services to franchisees. In addition, as a company focused on the sanitary environment business, we view the crisis as an opportunity to create innovative products and services that meet emerging needs.

To respond to work style reform, we will create an environment where employees can work at home by increasing the number of mobile devices and Wi-Fi routers.

|                      |   |
|----------------------|---|
| Direct Selling Group | <ul style="list-style-type: none"> <li>● Enhanced focus on providing products and services in the area of sanitary management</li> <li>● Accelerating the pace of building a solid structure to provide cleaning and technical services in metropolitan areas</li> <li>● Strengthening non-face-to-face contacts and encouraging cashless payments in the residential market</li> </ul> |
| Food Group           | <ul style="list-style-type: none"> <li>● Creating more reliable shops for customers to visit</li> <li>● Increasing both efficiency and sanitation of our shops</li> </ul>   |

3. Basic policies for selecting accounting standards

To facilitate comparisons of its consolidated financial statements across different fiscal years and with other companies, Duskin Group intends to prepare its consolidated financial statements based on Japanese generally accepted accounting principles (JGAAP). With regard to the adoption of International Financial Reporting Standards (IFRS), Duskin intends to monitor developments in Japan and overseas, and to respond appropriately to these developments.

#### 4. Consolidated financial statements

##### (1) Consolidated balance sheets

(millions of yen)

|   | As of March 31, 2019 | As of March 31, 2020 |
|---|----------------------|----------------------|
| <b>Assets</b>                               |                      |                      |
| <b>Current assets</b>                       |                      |                      |
| Cash and deposits                           | 15,881               | 23,728               |
| Notes and accounts receivable - trade       | 10,211               | 11,623               |
| Lease receivables and investments in leases | 1,196                | 1,177                |
| Securities                                  | 23,404               | 10,292               |
| Merchandise and finished goods              | 7,994                | 9,536                |
| Work in process                             | 193                  | 196                  |
| Raw materials and supplies                  | 1,459                | 1,769                |
| Other                                       | 3,635                | 3,893                |
| Allowance for doubtful accounts             | -28                  | -22                  |
| <b>Total current assets</b>                 | <b>63,948</b>        | <b>62,195</b>        |
| <b>Non-current assets</b>                   |                      |                      |
| <b>Property, plant and equipment</b>        |                      |                      |
| Buildings and structures                    | 43,062               | 43,708               |
| Accumulated depreciation                    | -27,024              | -27,921              |
| Buildings and structures, net               | 16,038               | 15,787               |
| Machinery, equipment and vehicles           | 25,326               | 25,778               |
| Accumulated depreciation                    | -18,620              | -18,747              |
| Machinery, equipment and vehicles, net      | 6,706                | 7,030                |
| Land  | 22,663               | 22,670               |
| Construction in progress                    | 574                  | 296                  |
| Other                                       | 12,125               | 14,281               |
| Accumulated depreciation                    | -9,503               | -9,705               |
| Other, net                                  | 2,621                | 4,576                |
| <b>Total property, plant and equipment</b>  | <b>48,604</b>        | <b>50,360</b>        |
| <b>Intangible assets</b>                    |                      |                      |
| Goodwill                                    | 429                  | 349                  |
| Other                                       | 10,127               | 10,572               |
| <b>Total intangible assets</b>              | <b>10,556</b>        | <b>10,922</b>        |
| <b>Investments and other assets</b>         |                      |                      |
| Investment securities                       | 62,458               | 51,242               |
| Long-term loans receivable                  | 0                    | —                    |
| Deferred tax assets                         | 2,092                | 3,575                |
| Guarantee deposits                          | 5,543                | 5,942                |
| Other                                       | 1,048                | 947                  |
| Allowance for doubtful accounts             | -30                  | -28                  |
| <b>Total investments and other assets</b>   | <b>71,114</b>        | <b>61,680</b>        |
| <b>Total non-current assets</b>             | <b>130,275</b>       | <b>122,963</b>       |
| <b>Total assets</b>                         | <b>194,223</b>       | <b>185,158</b>       |

(millions of yen)

|   | As of March 31, 2019 | As of March 31, 2020 |
|---|----------------------|----------------------|
| <b>Liabilities</b>  |                      |                      |
| <b>Current liabilities</b>  |                      |                      |
| Notes and accounts payable - trade                                | 6,845                | 6,588                |
| Income taxes payable  | 1,308                | 1,554                |
| Provision for bonuses   | 3,491                | 3,619                |
| Reserves for losses on liquidation of subsidiaries and affiliates | —                    | 51                   |
| Asset retirement obligations                                      | 9                    | —                    |
| Accounts payable - other  | 8,730                | 8,392                |
| Guarantee deposit received for rental products                    | 9,206                | 9,341                |
| Other   | 4,738                | 4,844                |
| <b>Total current liabilities</b>                                  | <b>34,330</b>        | <b>34,392</b>        |
| <b>Non-current liabilities</b>                                    |                      |                      |
| Retirement benefit liability                                      | 8,191                | 7,243                |
| Asset retirement obligations                                      | 585                  | 617                  |
| Long-term guarantee deposits                                      | 786                  | 776                  |
| Long-term accounts payable - other                                | 26                   | 33                   |
| Deferred tax liabilities  | 75                   | 54                   |
| Reserves for losses on liquidation of subsidiaries and affiliates | 329                  | —                    |
| Other   | 14                   | 9                    |
| <b>Total non-current liabilities</b>                              | <b>10,009</b>        | <b>8,735</b>         |
| <b>Total liabilities</b>  | <b>44,339</b>        | <b>43,127</b>        |
| <b>Net assets</b>   |                      |                      |
| <b>Shareholders' equity</b>                                       |                      |                      |
| Share capital   | 11,352               | 11,352               |
| Capital surplus   | 11,091               | 11,091               |
| Retained earnings   | 118,075              | 116,654              |
| Treasury shares   | -1,565               | -4,616               |
| <b>Total shareholders' equity</b>                                 | <b>138,954</b>       | <b>134,482</b>       |
| <b>Accumulated other comprehensive income</b>                     |                      |                      |
| Valuation difference on available-for-sale securities             | 9,920                | 5,965                |
| Deferred gains or losses on hedges                                | -1                   | -0                   |
| Foreign currency translation adjustment                           | -139                 | -193                 |
| Remeasurements of defined benefit plans                           | 894                  | 1,485                |
| <b>Total accumulated other comprehensive income</b>               | <b>10,673</b>        | <b>7,256</b>         |
| Share acquisition rights  | 18                   | 50                   |
| Non-controlling interests   | 237                  | 241                  |
| <b>Total net assets</b>   | <b>149,884</b>       | <b>142,031</b>       |
| <b>Total liabilities and net assets</b>                           | <b>194,223</b>       | <b>185,158</b>       |

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

Consolidated statements of income

(millions of yen)

|  | Fiscal year ended<br>March 31, 2019 | Fiscal year ended<br>March 31, 2020 |
|--|-------------------------------------|-------------------------------------|
| Net sales  | 158,699                             | 159,102                             |
| Cost of sales  | 86,138                              | 87,043                              |
| Gross profit   | 72,560                              | 72,059                              |
| Selling, general and administrative expenses                                   | 64,606                              | 65,482                              |
| Operating profit   | 7,954                               | 6,577                               |
| Non-operating income   |                                     |                                     |
| Interest income  | 261                                 | 173                                 |
| Dividend income  | 369                                 | 383                                 |
| Rental income from facilities  | 162                                 | 165                                 |
| Commission income  | 186                                 | 165                                 |
| Share of profit of entities accounted for using equity method                  | 683                                 | 363                                 |
| Miscellaneous income   | 709                                 | 500                                 |
| Total non-operating income   | 2,373                               | 1,752                               |
| Non-operating expenses   |                                     |                                     |
| Interest expenses  | 3                                   | 0                                   |
| Rental expenses on facilities  | 79                                  | 103                                 |
| Cancellation penalty   | 48                                  | 60                                  |
| Compensation expenses  | 47                                  | 34                                  |
| Commission for purchase of treasury shares                                     | 1                                   | 42                                  |
| Miscellaneous loss   | 135                                 | 158                                 |
| Total non-operating expenses   | 316                                 | 400                                 |
| Ordinary profit  | 10,011                              | 7,929                               |
| Extraordinary income   |                                     |                                     |
| Gain on sales of non-current assets  | 164                                 | 2                                   |
| Gain on sales of investment securities   | 66                                  | 1,108                               |
| Reversal of reserves for losses on liquidation of subsidiaries and affiliates  | —                                   | 76                                  |
| Insurance claim income   | 190                                 | 0                                   |
| Other  | 9                                   | 4                                   |
| Total extraordinary income   | 431                                 | 1,193                               |
| Extraordinary losses   |                                     |                                     |
| Loss on sales of non-current assets  | 34                                  | 0                                   |
| Loss on abandonment of non-current assets                                      | 183                                 | 109                                 |
| Impairment loss  | 1,025                               | 250                                 |
| Loss on disaster   | 179                                 | 121                                 |
| Provision of reserves for losses on liquidation of subsidiaries and affiliates | 329                                 | —                                   |
| Loss on sales of investment securities   | 211                                 | 161                                 |
| Other  | 7                                   | 8                                   |
| Total extraordinary losses   | 1,971                               | 651                                 |
| Profit before income taxes   | 8,471                               | 8,471                               |
| Income taxes - current   | 2,701                               | 2,902                               |
| Income taxes - deferred  | -156                                | -27                                 |
| Total income taxes   | 2,545                               | 2,875                               |
| Profit   | 5,926                               | 5,595                               |
| Profit (loss) attributable to non-controlling interests                        | -58                                 | 4                                   |
| Profit attributable to owners of parent  | 5,984                               | 5,591                               |



Consolidated statements of comprehensive income

(millions of yen)

|  | Fiscal year ended<br>March 31, 2019 | Fiscal year ended<br>March 31, 2020 |
|--|-------------------------------------|-------------------------------------|
| Profit   | 5,926                               | 5,595                               |
| Other comprehensive income   |                                     |                                     |
| Valuation difference on available-for-sale securities                                | 48                                  | -3,939                              |
| Deferred gains or losses on hedges   | -1                                  | —                                   |
| Foreign currency translation adjustment  | -26                                 | -11                                 |
| Remeasurements of defined benefit plans, net of tax                                  | 2,679                               | 588                                 |
| Share of other comprehensive income of entities<br>accounted for using equity method | -54                                 | -53                                 |
| Total other comprehensive income   | 2,645                               | -3,417                              |
| Comprehensive income   | 8,571                               | 2,178                               |
| Comprehensive income attributable to owners of<br>parent                             | 8,631                               | 2,174                               |
| Comprehensive income attributable to non-<br>controlling interests                   | -60                                 | 4                                   |

(3) Consolidated statements of changes in net assets  
FY2018 (April 1, 2018 - March 31, 2019)

(millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period   | 11,352               | 11,087          | 120,519           | -3,571          | 139,388                    |
| Changes of items during the period   |                      |                 |                   |                 |                            |
| Dividends of surplus   |                      |                 | -2,672            |                 | -2,672                     |
| Profit attributable to owners of parent  |                      |                 | 5,984             |                 | 5,984                      |
| Purchase of treasury shares  |                      |                 |                   | -3,754          | -3,754                     |
| Retirement of treasury shares  |                      | -0              | -5,756            | 5,757           | -                          |
| Disposal of treasury shares  |                      | 0               |                   | 2               | 3                          |
| Changes in equity of the parent company related to transactions with non-controlling shareholder |                      | 4               |                   |                 | 4                          |
| Net changes of items other than shareholders' equity   |                      |                 |                   |                 |                            |
| Total changes of items during the period   | -                    | 4               | -2,444            | 2,005           | -434                       |
| Balance at end of current period   | 11,352               | 11,091          | 118,075           | -1,565          | 138,954                    |

|  | Accumulated other comprehensive income                |                                    |   |   |  | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|--------------------------|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                          |                           |                  |
| Balance at beginning of current period   | 9,878   | 1                                  | -54                                     | -1,798                                  | 8,026  | 9                        | 361                       | 147,786          |
| Changes of items during the period   |   |                                    |   |   |  |                          |                           |                  |
| Dividends of surplus   |   |                                    |   |   |  |                          |                           | -2,672           |
| Profit attributable to owners of parent  |   |                                    |   |   |  |                          |                           | 5,984            |
| Purchase of treasury shares  |   |                                    |   |   |  |                          |                           | -3,754           |
| Retirement of treasury shares  |   |                                    |   |   |  |                          |                           | -                |
| Disposal of treasury shares  |   |                                    |   |   |  |                          |                           | 3                |
| Changes in equity of the parent company related to transactions with non-controlling shareholder |   |                                    |   |   |  |                          |                           | 4                |
| Net changes of items other than shareholders' equity   | 41  | -2                                 | -84                                     | 2,692                                   | 2,647  | 9                        | -124                      | 2,532            |
| Total changes of items during the period   | 41  | -2                                 | -84                                     | 2,692                                   | 2,647  | 9                        | -124                      | 2,098            |
| Balance at end of current period   | 9,920   | -1                                 | -139                                    | 894                                     | 10,673                                       | 18                       | 237                       | 149,884          |

FY2019 (April 1, 2019 - March 31, 2020)

(millions of yen)

|   | Shareholders' equity |                 |                   |                 |                            |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period  | 11,352               | 11,091          | 118,075           | -1,565          | 138,954                    |
| Changes of items during the period  |                      |                 |                   |                 |                            |
| Dividends of surplus  |                      |                 | -2,265            |                 | -2,265                     |
| Profit attributable to owners of parent   |                      |                 | 5,591             |                 | 5,591                      |
| Purchase of treasury shares   |                      |                 |                   | -7,779          | -7,779                     |
| Retirement of treasury shares   |                      |                 | -4,728            | 4,728           | -                          |
| Increase (decrease) arising from change in scope of consolidation of entities accounted for using equity method |                      |                 | -18               |                 | -18                        |
| Net changes of items other than shareholders' equity  |                      |                 |                   |                 |                            |
| Total changes of items during the period  | -                    | -               | -1,421            | -3,050          | -4,471                     |
| Balance at end of current period  | 11,352               | 11,091          | 116,654           | -4,616          | 134,482                    |

|   | Accumulated other comprehensive income                |                                    |   |   |  | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|--|--------------------------|---------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                          |                           |                  |
| Balance at beginning of current period  | 9,920   | -1                                 | -139                                    | 894                                     | 10,673                                       | 18                       | 237                       | 149,884          |
| Changes of items during the period  |   |                                    |   |   |  |                          |                           |                  |
| Dividends of surplus  |   |                                    |   |   |  |                          |                           | -2,265           |
| Profit attributable to owners of parent   |   |                                    |   |   |  |                          |                           | 5,591            |
| Purchase of treasury shares   |   |                                    |   |   |  |                          |                           | -7,779           |
| Retirement of treasury shares   |   |                                    |   |   |  |                          |                           | -                |
| Increase (decrease) arising from change in scope of consolidation of entities accounted for using equity method |   |                                    |   |   |  |                          |                           | -18              |
| Net changes of items other than shareholders' equity  | -3,955  | 0                                  | -54                                     | 591                                     | -3,416                                       | 31                       | 4                         | -3,381           |
| Total changes of items during the period  | -3,955  | 0                                  | -54                                     | 591                                     | -3,416                                       | 31                       | 4                         | -7,853           |
| Balance at end of current period  | 5,965   | -0                                 | -193                                    | 1,485                                   | 7,256  | 50                       | 241                       | 142,031          |

(4) Consolidated statements of cash flows

(millions of yen)

|  | Fiscal year ended<br>March 31, 2019 | Fiscal year ended<br>March 31, 2020 |
|--|-------------------------------------|-------------------------------------|
| <b>Cash flows from operating activities</b>  |                                     |                                     |
| Profit before income taxes   | 8,471                               | 8,471                               |
| Depreciation   | 6,542                               | 7,044                               |
| Amortization of goodwill   | 189                                 | 202                                 |
| Increase (decrease) in allowance for doubtful accounts                                   | -0                                  | -1                                  |
| Bad debts expenses   | 5                                   | 1                                   |
| Interest and dividend income   | -631                                | -557                                |
| Interest expenses  | 3                                   | 0                                   |
| Foreign exchange losses (gains)  | 2                                   | 0                                   |
| Share of loss (profit) of entities accounted for using equity method                     | -683                                | -363                                |
| Loss (gain) on sales of property, plant and equipment                                    | -130                                | -2                                  |
| Loss on retirement of property, plant and equipment                                      | 182                                 | 106                                 |
| Loss (gain) on sales and redemption of investment securities                             | 145                                 | -946                                |
| Insurance claim income   | -190                                | -0                                  |
| Impairment loss  | 1,025                               | 250                                 |
| Loss on disaster   | 179                                 | 121                                 |
| Decrease (increase) in trade receivables   | -283                                | -1,470                              |
| Decrease (increase) in inventories   | -175                                | -1,858                              |
| Increase (decrease) in trade payables  | 19                                  | -268                                |
| Increase (decrease) in provision for bonuses   | 93                                  | 127                                 |
| Increase (decrease) in retirement benefit liability                                      | -824                                | -98                                 |
| Increase (decrease) in reserves for losses on liquidation of subsidiaries and affiliates | 329                                 | -278                                |
| Increase (decrease) in accrued consumption taxes   | -49                                 | 282                                 |
| Decrease (increase) in investments in leases   | 86                                  | -20                                 |
| Decrease (increase) in other assets  | 467                                 | 275                                 |
| Increase (decrease) in other liabilities   | 537                                 | -484                                |
| <b>Subtotal</b>  | <b>15,311</b>                       | <b>10,535</b>                       |
| Interest and dividends received  | 996                                 | 1,073                               |
| Interest paid  | -3                                  | -0                                  |
| Proceeds from insurance income   | 190                                 | 0                                   |
| Payments associated with disaster loss   | -97                                 | -109                                |
| Income taxes paid  | -2,790                              | -2,649                              |
| <b>Net cash provided by (used in) operating activities</b>                               | <b>13,606</b>                       | <b>8,850</b>                        |

(millions of yen)

|   | Fiscal year ended<br>March 31, 2019 | Fiscal year ended<br>March 31, 2020 |
|---|-------------------------------------|-------------------------------------|
| <b>Cash flows from investing activities</b>   |                                     |                                     |
| Decrease (increase) in time deposits  | 1,019                               | -316                                |
| Purchase of securities  | -25,105                             | -16,204                             |
| Proceeds from sales and redemption of securities  | 20,928                              | 19,707                              |
| Purchase of property, plant and equipment   | -4,439                              | -6,167                              |
| Proceeds from sales of property, plant and equipment  | 363                                 | 27                                  |
| Purchase of investment securities   | -5,514                              | -510                                |
| Proceeds from sales and redemption of investment securities   | 10,840                              | 11,047                              |
| Purchase of shares of associates  | -5,511                              | -257                                |
| Loan advances   | -9                                  | -3                                  |
| Collection of loans receivable  | 11                                  | 6                                   |
| Payments of leasehold and guarantee deposits  | -150                                | -685                                |
| Proceeds from refund of leasehold and guarantee deposits  | 205                                 | 277                                 |
| Payments for acquisition of businesses  | -105                                | -297                                |
| Other payments  | -5,142                              | -3,499                              |
| Other proceeds  | 55                                  | 15                                  |
| Net cash provided by (used in) investing activities   | -12,555                             | 3,137                               |
| <b>Cash flows from financing activities</b>   |                                     |                                     |
| Net increase (decrease) in short-term borrowings  | -161                                | —                                   |
| Purchase of treasury shares   | -3,753                              | -7,779                              |
| Decrease (increase) in deposits for purchase of treasury shares   | -24                                 | 24                                  |
| Dividends paid  | -2,673                              | -2,266                              |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | -59                                 | —                                   |
| Other proceeds  | 0                                   | —                                   |
| Net cash provided by (used in) financing activities   | -6,671                              | -10,022                             |
| Effect of exchange rate change on cash and cash equivalents   | -19                                 | -35                                 |
| Net increase (decrease) in cash and cash equivalents  | -5,640                              | 1,930                               |
| Cash and cash equivalents at beginning of period  | 30,877                              | 25,237                              |
| Cash and cash equivalents at end of period  | 25,237                              | 27,167                              |

- (5) Notes to consolidated financial statements  
(Notes relating to going concern assumption)  
None

(Segment information)

a. Segment information

1. Overview of business segments

Duskin's reportable segments are components of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors to determine the allocation of resources and evaluate performance.

Duskin has business operating units classified by product and service type. Each business unit establishes comprehensive product and service strategies for Japan, and conducts its own business activities.

Duskin is organized into two reportable segments, Direct Selling Group and Food Group, comprised of business operating units such as business groups and divisions based on product and service types.

Direct Selling Group, with a focus on direct selling, includes rental of cleaning tools, manufacturing and sales of cosmetics, rental of cabinet towels, sales of restroom products, rental of industrial wiper cloths, rental of water purifiers and air purifiers, house cleaning services, home cleaning and helper services, pest control and prevention services, tree and lawn care services, fixing scratches and dents, plant and facility management services, living support services for seniors, rental and sales of travel goods, baby goods, leisure goods, health and nursing care equipment, planning, sales and rental of uniforms and sales of coffee to offices. Food Group is comprised of food service businesses that include manufacturing and sales of donuts, sales of food and beverages, operation of pork cutlet restaurants, manufacturing ice confectionery, and sales of other food and beverages.

2. Method of calculating sales, income or loss, assets and others by business segment

The segment income or losses are based on operating profit or loss.

Intersegment intercompany income and transfers are based on current market prices.

3. Sales, income or losses, assets and others by business segment

Consolidated fiscal year 2018 (April 1, 2018 – March 31, 2019)

(millions of yen)

|  | Direct Selling Group | Food Group | Other Businesses (Note 1) | Total   | Adjustment (Note 2) | Consolidated total |
|--|----------------------|------------|---------------------------|---------|---------------------|--------------------|
| Sales  |                      |            |                           |         |                     |                    |
| To outside customers   | 110,712              | 35,416     | 12,570                    | 158,699 | -                   | 158,699            |
| Intersegment sales and transfers                             | 764                  | 10         | 2,287                     | 3,062   | -3,062              | -                  |
| Total  | 111,476              | 35,426     | 14,858                    | 161,762 | -3,062              | 158,699            |
| Segment income (loss)  | 13,406               | 320        | 387                       | 14,114  | -6,160              | 7,954              |
| Segment assets   | 83,171               | 12,135     | 21,336                    | 116,644 | 77,579              | 194,223            |
| Other  |                      |            |                           |         |                     |                    |
| Depreciation   | 3,273                | 666        | 1,557                     | 5,497   | 917                 | 6,415              |
| Investments in entities accounted for using equity method    | 5,900                | -          | 1,114                     | 7,015   | -                   | 7,015              |
| Property, plant and equipment and intangible assets increase | 3,763                | 1,565      | 1,811                     | 7,140   | 2,326               | 9,466              |

Consolidated fiscal year 2019 (April 1, 2019 – March 31, 2020)

(millions of yen)

|  | Direct Selling Group | Food Group | Other Businesses (Note 1) | Total   | Adjustment (Note 2) | Consolidated total |
|--|----------------------|------------|---------------------------|---------|---------------------|--------------------|
| Sales  |                      |            |                           |         |                     |                    |
| To outside customers   | 110,379              | 36,247     | 12,475                    | 159,102 | -                   | 159,102            |
| Intersegment sales and transfers                             | 656                  | 15         | 2,097                     | 2,769   | -2,769              | -                  |
| Total  | 111,036              | 36,263     | 14,572                    | 161,872 | -2,769              | 159,102            |
| Segment income (loss)  | 11,603               | 681        | 442                       | 12,726  | -6,149              | 6,577              |
| Segment assets   | 88,892               | 12,009     | 20,899                    | 121,801 | 63,357              | 185,158            |
| Other  |                      |            |                           |         |                     |                    |
| Depreciation   | 3,497                | 807        | 1,736                     | 6,041   | 896                 | 6,938              |
| Investments in entities accounted for using equity method    | 6,013                | -          | 1,058                     | 7,072   | -                   | 7,072              |
| Property, plant and equipment and intangible assets increase | 3,475                | 959        | 4,279                     | 8,714   | 967                 | 9,682              |

(Notes)

1. Other Businesses are comprised of the businesses that are not categorized in reportable business segments, including office equipment and vehicle leasing, hospital management services, insurance agent services, and overseas businesses.
2. Breakdown of the adjustment area as follows:

Sales (millions of yen)

|                           | FY2018 | FY2019 |
|---------------------------|--------|--------|
| Intersegment eliminations | -3,062 | -2,769 |
| Total                     | -3,062 | -2,769 |

Segment income (loss) (millions of yen)

|                           | FY2018 | FY2019 |
|---------------------------|--------|--------|
| Intersegment eliminations | 62     | 14     |
| Corporate expenses (Note) | -6,222 | -6,164 |
| Total                     | -6,160 | -6,149 |

(Note) Corporate expenses include corporate administrative expenses.

Segment assets (millions of yen)

|                           | FY2018  | FY2019  |
|---------------------------|---------|---------|
| Intersegment eliminations | -18,196 | -15,686 |
| Corporate assets (Note)   | 95,776  | 79,043  |
| Total                     | 77,579  | 63,357  |

(Note) Corporate assets include the management fund of surplus funds (cash and securities), long-term investment funds (investment securities) and assets relating to the administrative departments.

Depreciation (millions of yen)

|                           | FY2018 | FY2019 |
|---------------------------|--------|--------|
| Intersegment eliminations | -0     | -1     |
| Corporate assets          | 918    | 897    |
| Total                     | 917    | 896    |

| Increase of property, plant and equipment and intangible assets |        | (millions of yen) |  |
|---|--------|-------------------|--|
|   | FY2018 | FY2019            |  |
| Intersegment eliminations                                       | -1     | -0                |  |
| Corporate assets  | 2,327  | 968               |  |
| Total   | 2,326  | 967               |  |

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

b. Other related information

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019)

1. Product and/or service segment information

| (millions of yen)          |                      |            |                  |         |
|----------------------------|----------------------|------------|------------------|---------|
|                            | Direct Selling Group | Food Group | Other Businesses | Total   |
| Sales to outside customers | 110,712              | 35,416     | 12,570           | 158,699 |

2. Geographic segment information

(1) Net sales

Since sales to outside customers in Japan exceed 90% of net sales on the consolidated statements of income, this information is omitted.

(2) Property, equipment and plant

Since the amount of property, equipment and plant in Japan exceeds 90% of the amount on the consolidated balance sheet, this information is omitted.

Consolidated fiscal year 2019 (April 1, 2019 - March 31, 2020)

1. Product and/or service segment information

| (millions of yen)          |                      |            |                  |         |
|----------------------------|----------------------|------------|------------------|---------|
|                            | Direct Selling Group | Food Group | Other Businesses | Total   |
| Sales to outside customers | 110,379              | 36,247     | 12,475           | 159,102 |

2. Geographic segment information

(1) Net sales

Since sales to outside customers in Japan exceed 90% of net sales on the consolidated statements of income, this information is omitted.

(2) Property, equipment and plant

Since the amount of property, equipment and plant in Japan exceeds 90% of the amount on the consolidated balance sheet, this information is omitted.

c. Impairment losses on non-current assets by business segment

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019)

| (millions of yen) |                      |            |                  |                          |       |
|-------------------|----------------------|------------|------------------|--------------------------|-------|
|                   | Direct Selling Group | Food Group | Other Businesses | Elimination or Corporate | Total |
| Impairment loss   | 25                   | 934        | 65               | -                        | 1,025 |

(Note) Other Businesses are comprised of a food service and lodging facility used for franchisee training programs.



Consolidated fiscal year 2020 (April 1, 2019 - March 31, 2020)

(millions of yen)

|                 | Direct Selling Group | Food Group | Other Businesses | Elimination or Corporate | Total |
|-----------------|----------------------|------------|------------------|--------------------------|-------|
| Impairment loss | 17                   | 233        | -                | -                        | 250   |

d. Amortization of goodwill and unamortized amount of goodwill by business segment

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019)

(millions of yen)

|                          | Direct Selling Group | Food Group | Other Businesses | Elimination or Corporate | Total |
|--------------------------|----------------------|------------|------------------|--------------------------|-------|
| Amortization of goodwill | 169                  | 6          | 13               | -                        | 189   |
| Balance (Note)           | 324                  | 25         | 80               | -                        | 429   |

(Note) Goodwill at the end of the fiscal year includes 324 million yen of goodwill in Direct Selling Group and 25 million yen of goodwill in Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 80 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

Consolidated fiscal year 2019 (April 1, 2019 - March 31, 2020)

(millions of yen)

|                          | Direct Selling Group | Food Group | Other Businesses | Elimination or Corporate | Total |
|--------------------------|----------------------|------------|------------------|--------------------------|-------|
| Amortization of goodwill | 186                  | 6          | 9                | -                        | 202   |
| Balance (Note)           | 260                  | 18         | 69               | -                        | 349   |

(Note) Goodwill at the end of the fiscal year includes 260 million yen of goodwill in Direct Selling Group and 18 million yen of goodwill in Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 69 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

e. Information on gain on bargain purchase by business segments

Consolidated fiscal year 2018 (April 1, 2018 - March 31, 2019)

None

Consolidated fiscal year 2020 (April 1, 2019 - March 31, 2020)

None

(Per share information)

(yen)

| FY2019<br>(April 1, 2018 - March 31, 2019) |          | FY2020<br>(April 1, 2019 - March 31, 2020) |          |
|--|----------|--|----------|
| Net assets per share                       | 2,876.63 | Net assets per share                       | 2,872.99 |
| Earnings per share                         | 112.38   | Earnings per share                         | 109.95   |
| Profit per share (fully diluted)           | 112.37   | Profit per share (fully diluted)           | 109.91   |

(Note) Profit per share and profit per share (fully diluted) is based on the following information.

|  | FY2019<br>(April 1, 2018 - March 31, 2019) | FY2020<br>(April 1, 2019 - March 31, 2020) |
|--|--|--|
| Profit per share   |  |  |
| Profit attributable to owners of parent<br>(millions of yen)   | 5,984                                      | 5,591                                      |
| Amounts not attributable to common<br>shareholders (millions of yen)   | -  | -  |
| Profit attributable to common stock<br>owners of parent (millions of yen)  | 5,984                                      | 5,591                                      |
| Average number of shares of common<br>stock during the period<br>(thousands shares)  | 53,252                                     | 50,855                                     |
|  |  |  |
| Profit per share (fully diluted)   |  |  |
| Adjustments to profit attributable to<br>owners of parent (millions of yen)  | -  | -  |
| Increase in number of shares of<br>common stock (thousands shares)   | 6  | 16   |
| (Share acquisition rights)<br>(thousands shares)   | (6)  | (16)                                       |
| Outline of common stock equivalents not<br>included in the calculation of profit per<br>share (fully diluted) because they are not<br>dilutive | -  | -  |

(Important post-balance sheet events)

None

## 5. Others

### (1) Changes in Directors

#### 1) Nominees for Directors

Hiroyuki Okubo

Tetsuya Wada

Naoto Miyata

Yukiko Tsujimoto

\* The nominees will be submitted for approval at the general shareholders' meeting to be held on June 23, 2020.

\* Ms. Tsujimoto is qualified as an Independent Director in accordance with regulations of the Tokyo Stock Exchange. Accordingly, a report will be submitted to the Tokyo Stock Exchange.

#### 2) Exiting Directors

Kenichi Miyajima

Kazuo Okai

Junichi Narahara

Tadashi Yamamoto

\* Mr. Miyajima, Mr. Okai, Mr. Narahara and Mr. Yamamoto's terms will expire and they will resign as Directors at the end of the general shareholders' meeting to be held on June 23, 2020.

### (2) Changes in Audit & Supervisory Board Members

#### 1) Nominee for Audit & Supervisory Board Member

Hideyuki Naito

\* The nominee will be submitted for approval at the general shareholders' meeting to be held on June 23, 2020.

#### 2) Exiting Corporate Auditors

Yasuto Shigeyoshi

\* Mr. Shigeyoshi's term will expire and he will resign as an Audit & Supervisory Board Member at the end of the general shareholders' meeting to be held on June 23, 2020.