Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2023 (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.

November 8, 2022

Company name: Duskin Co., Ltd. Shares listed: Tokyo

Code number: 4665 URL: https://www.duskin.co.jp/corp/index.html

Representative: Hiroyuki Okubo, Representative Director, President and CEO
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Scheduled date for release of quarterly report: November 11, 2022
Scheduled date of dividend payment commencement: December 8, 2022
Preparation of additional financial results materials: Yes
Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are dropped.)

1. Consolidated financial results for the period from April 1, 2022 to September 30, 2022

(1) Results of operation

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

	Net 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, 2022	81,913	2.1	5,300	-16.5	6,640	-11.5	4,533	-12.4
6 months ended Sept. 30, 2021	80,213	8.3	6,346	123.7	7,504	89.4	5,175	271.4

Note: Comprehensive income - Sept. 30, 2022: 4,459 million yen (-28.3%), Sept. 30, 2021: 6,222 million yen (96.5%)

	Profit per share	Profit per share (fully diluted)
	yen	yen
6 months ended Sept. 30, 2022	91.65	91.61
6 months ended Sept. 30, 2021	104.46	104.41

(2) Financial positions

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
As of Sept. 30, 2022	194,182	153,044	78.6
As of Mar. 31, 2022	198,055	151,026	76.1

Reference: Shareholders' equity - Sept. 30, 2022: 152,674 million yen, March 31, 2022: 150,661 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, 2022	-	30.00	-	53.00	83.00
Year ending Mar. 31, 2023	-	40.00			
Year ending Mar. 31, 2023 (Forecast)			-	41.00	81.00

Note: Revision of forecast for dividend recently announced: No

3. Forecast of consolidated financial results for the FY2022 (April 1, 2022 - March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year ending Mar. 31, 2023	170,000	4.2	7,800	-21.2	9,600	-21.4	6,600	-18.8	133.51

Note: Revision of forecast for consolidated financial results recently announced: No

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: None

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

1. Changes due to revision of accounting standards: Yes
2. Changes other than 1, above: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

Please refer to 2. Consolidated financial statements (3) Notes to consolidated financial statements (Changes in accounting policies) on page 9.

(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, 2022:	50,994,823	Year ended Mar. 31, 2022:	50,994,823
2. Number of treasury shares at the end of the period	6 months ended Sept. 30, 2022:	1,467,314	Year ended Mar. 31, 2022:	1,559,747
3. Average number of shares outstanding during the period	6 months ended Sept. 30, 2022:	49,462,496	6 months ended Sept. 30, 2021:	49,541,469

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

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1. Qualitative information

(1) Business results

In the first six months of fiscal 2022 (April 1 to September 30, 2022), the Japanese economy showed signs of recovery as economic activities continued to go back to normal, with the relaxation of strict movement restrictions implemented during the coronavirus pandemic. A harsh business environment persisted, however, with the renewed spread of the virus from July, as well as factors such as the rapid depreciation of the yen and the soaring cost of raw materials. Despite ongoing efforts to transition to a new stage of coexistence with coronavirus, the outlook became increasingly uncertain due to the prolonged situation in Russia and Ukraine and further rises in the cost of raw materials among other issues.

In this environment, we launched our Medium-Term Management Policy 2022 (fiscal year ending March 31, 2023, to fiscal year ending March 31, 2025) as Phase III, the final phase of the long-term strategy ONE DUSKIN. We embarked on initiatives aimed at pursuing greater social value and achieving sustainable growth for the Company. At the same time, in July we implemented revisions of the standard customer prices for rental products in the Clean Service businesses, the core business of the Direct Selling Group, as well as for some replacements and non-rental products, to address issues such as the soaring cost of raw materials and rising logistics costs and ensure the continued, stable supply of products to our customers. We also resolved to dissolve Duskin Hong Kong Co., Ltd. and consolidate its main functions into Duskin Co., Ltd. We publicly announced this resolution. Duskin Hong Kong Co., Ltd. has undertaken a trading function and has been responsible for investing in expansion through the Asian region.

Consolidated net sales increased by 1,700 million yen (2.1%) from the same period of the previous fiscal year to 81,913 million yen due to a rise in sales across all business segments. Consolidated operating profit declined by 1,046 million yen (16.5%) to 5,300 million yen, partly due to the posting of expenses required for price revisions in the Direct Selling Group. Consolidated ordinary profit decreased by 863 million yen (11.5%) to 6,640 million yen and profit attributable to owners of parent fell by 642 million yen (12.4%) to 4,533 million yen.

(millions of yen)

	6 months ended Sept. 30, 2021	6 months ended Sept. 30, 2022	Increase/decrease	
				%
Consolidated net sales	80,213	81,913	1,700	2.1
Consolidated gross profit	37,293	37,756	463	1.2
Consolidated operating profit	6,346	5,300	-1,046	-16.5
Consolidated ordinary profit	7,504	6,640	-863	-11.5
Profit attributable to owners of parent	5,175	4,533	-642	-12.4

Result by business segment

Sales

(millions of yen)

	6 months ended Sept. 30, 2021	6 months ended Sept. 30, 2022	Increase/decrease	
				%
Direct Selling Group	54,181	54,188	6	0.0
Food Group	19,915	21,359	1,443	7.2
Other Businesses	7,688	8,029	341	4.4
Total	81,785	83,577	1,791	2.2
Intersegment eliminations	-1,572	-1,664	-91	—
Consolidated net sales	80,213	81,913	1,700	2.1

Sales by business segment above include intersegment sales.

Operating profit (loss) (millions of yen)

	6 months ended Sept. 30, 2021	6 months ended Sept. 30, 2022	Increase/decrease	
				%
Direct Selling Group	6,465	5,081	-1,384	-21.4
Food Group	1,751	2,431	679	38.8
Other Businesses	538	443	-94	-17.6
Total	8,755	7,955	-799	-9.1
Intersegment eliminations, and corporate expenses	-2,408	-2,655	-246	—
Consolidated operating profit	6,346	5,300	-1,046	-16.5

Operating profit or loss above includes intersegment transactions.

i. Direct Selling Group

Sales of the Direct Selling Group increased by 6 million yen from the same period of the previous fiscal year to 54,188 million yen. This was mainly because of a rise in sales in the Clean Service businesses and the Health Rent business (rental and sales of assisted-living products), despite lower sales in the Rent-All business (rental of special event and daily use items). Operating profit fell by 1,384 million yen (21.4%) to 5,081 million yen. This was mainly attributable to expenses required for price revisions.

In the Clean Service businesses, the core business of the Direct Selling Group, sales to both residential and commercial markets increased. Sales to residential markets were boosted by the re-launched Robot Cleaner SiRo. Total sales of our mainstay mop products increased due to sales growth of Cleaning Basic Three package, consisting of the Lala floor mop, the Shushu handy mop and the Muku Mop Cleaner. Furthermore, small water purifiers (faucet-mount type) also performed strongly.

In commercial markets, sales of high-performance mats with antibacterial and antiviral functions increased, driven by a high demand for hygiene management. This was despite a decline in sales of items such as Clear Kukan air purifier main units and humidifier main units.

In the Care Service businesses, customer-level sales declined for ServiceMaster (professional cleaning services), which had received orders associated with the Tokyo Olympics in the previous fiscal year, but increased for Merry Maids (home cleaning and helper services), Terminix (pest control and comprehensive sanitary management), Total Green (plant and flower upkeep), and Home Repair (fixing scratches and dents).

In other Direct Selling Group businesses, the Rent-All business saw a decline in sales from a year earlier, when a rise in orders for Event Hygiene Services and orders associated with the Olympic Village for the Tokyo Olympics drove substantial sales growth. In addition, sales fell at the cosmetic-related businesses but rose at the Health Rent business, uniform-related businesses and the Life Care business (support services for seniors).

ii. Food Group

Total sales of the Food Group increased by 1,443 million yen (7.2%) from a year earlier, as a result of a rise in total customer-level sales at Mister Donut, the core business of the Food Group, and an increase in sales of ingredients and royalties. Operating profit grew by 679 million yen (38.8%) to 2,431 million yen.

Mister Donut maintained its strong performance, even after the prices of some of its products were revised in March 2022. Both customer traffic and sales per customer were higher than a year earlier, as were customer-level sales per shop. Total customer-level sales also grew, which were boosted by an increase in the number of shops in operation due to new shop openings. MISDO Meets products, the continuing focus of our product strategy, continued to be well received by customers. After collaborating with the Kyoto green tea specialty brand Gion Tsujiri in the first three months of FY2022, we went on to launch new products based on items of three brands produced by Bake Inc.: the baked cheese tart shop Bake Cheese Tart, the custard apple pie shop Ringo, and the cream puff shop Croquant Chou Zakuzaku. The launch of Angel Fruit, featuring fruit filling produced in Japan, as well as our annual fall products Sweet Potato Donut and MISDO Halloween also contributed to the rise in sales. New drink products such as Fruit Tea and Lemonade also gained popularity.

Sales in the other Food Group businesses declined overall, with a fall in sales at Pie Face pie shops, which saw a decrease in the number of locations, as well as our withdrawal from the ice cream business with the sale of all shares of Hachiya Dairy Products Co., Ltd., previously a consolidated subsidiary, in November 2021. This was despite an increase in sales at Katsu & Katsu pork cutlet specialty restaurants.

iii. Other Businesses

At consolidated subsidiaries in Japan, sales decreased at Duskin Healthcare Co., Ltd. (medical facility management services) compared to the previous year, when it received orders for cleaning services for the Olympic Village at the Tokyo Olympics. Sales also decreased at Duskin Kyoeki Co., Ltd. (leasing and insurance agency) as more of its affiliates upgraded vehicles with automatic brakes in the previous fiscal year.

Sales at consolidated subsidiaries overseas were higher than a year earlier. Sales at Duskin Shanghai Co., Ltd. (rental and sale of dust control products in Shanghai, China) declined due to a substantial impact of the lockdown in Shanghai brought on by the resurgence of coronavirus. However, sales at Duskin Hong Kong Co., Ltd. increased due to the recovery in sales at Mister Donut shops overseas, and sales also rose at Big Apple Worldwide Holdings Sdn. Bhd. (operation of donut shops mainly in Malaysia).

As a result, sales of Other Businesses increased by 341 million yen (4.4%) from a year earlier to 8,029 million yen while operating profit decreased by 94 million yen (17.6%) to 443 million yen reflecting the significant impact of lower sales in consolidated subsidiaries in Japan.

(2) Financial position

Total assets at the end of the second quarter (as of September 30, 2022) amounted to 194,182 million yen, a decrease of 3,872 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 7,807 million yen in securities, despite increases of 3,126 million yen in investment securities and 1,491 million yen in cash and deposits.

Liabilities were 41,138 million yen, a decrease of 5,890 million yen from the end of the previous fiscal year. This was mainly due to decreases of 2,276 million yen in accounts payable - other, 1,588 million yen in other under current liabilities and 1,034 million yen in income taxes payable.

Net assets were 153,044 million yen, an increase of 2,018 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,879 million yen in retained earnings.

(3) Forecast

No revisions have been made to the forecast for consolidated and non-consolidated results of operations for FY2022 (April 1, 2022 - March 31, 2023) that was announced on May 13, 2022. We will promptly disclose any revisions to our earnings forecasts.

2. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	23,360	24,851
Notes and accounts receivable - trade, and contract assets	12,266	11,334
Lease receivables and investments in leases	1,056	1,035
Securities	30,604	22,797
Merchandise and finished goods	8,662	8,993
Work in process	207	235
Raw materials and supplies	1,541	2,130
Accounts receivable - other	4,994	5,501
Other	1,426	1,674
Allowance for doubtful accounts	△17	△17
Total current assets	84,102	78,536
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,362	44,741
Accumulated depreciation	△29,528	△30,065
Buildings and structures, net	14,834	14,675
Machinery, equipment and vehicles	25,123	25,471
Accumulated depreciation	△17,855	△18,346
Machinery, equipment and vehicles, net	7,268	7,125
Land	22,439	22,439
Construction in progress	325	136
Other	15,399	15,557
Accumulated depreciation	△10,791	△11,123
Other, net	4,607	4,433
Total property, plant and equipment	49,474	48,810
Intangible assets		
Goodwill	270	294
Software	6,481	5,650
Other	1,393	1,820
Total intangible assets	8,146	7,765
Investments and other assets		
Investment securities	46,176	49,303
Retirement benefit asset	2,348	2,335
Deferred tax assets	1,601	1,332
Guarantee deposits	5,340	5,324
Other	884	793
Allowance for doubtful accounts	△19	△19
Total investments and other assets	56,331	59,070
Total non-current assets	113,952	115,646
Total assets	198,055	194,182

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,963	6,899
Income taxes payable	2,359	1,324
Provision for bonuses	3,879	3,252
Asset retirement obligations	14	17
Accounts payable - other	9,136	6,859
Guarantee deposit received for rental products-CL	9,058	8,794
Other	6,594	5,005
Total current liabilities	38,005	32,153
Non-current liabilities		
Long-term borrowings	1,530	1,321
Retirement benefit liability	5,991	6,110
Asset retirement obligations	611	599
Long-term guarantee deposits	873	939
Long-term accounts payable - other	10	10
Deferred tax liabilities	5	4
Other	0	0
Total non-current liabilities	9,023	8,985
Total liabilities	47,029	41,138
Net assets		
Shareholders' equity		
Share capital	11,352	11,352
Capital surplus	11,091	11,088
Retained earnings	122,401	124,280
Treasury shares	△4,219	△3,977
Total shareholders' equity	140,625	142,744
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,195	7,333
Deferred gains or losses on hedges	△0	△0
Foreign currency translation adjustment	34	354
Remeasurements of defined benefit plans	2,805	2,241
Total accumulated other comprehensive income	10,035	9,929
Share acquisition rights	59	49
Non-controlling interests	305	319
Total net assets	151,026	153,044
Total liabilities and net assets	198,055	194,182

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

Consolidated statements of income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	80,213	81,913
Cost of sales	42,919	44,156
Gross profit	37,293	37,756
Selling, general and administrative expenses	30,946	32,456
Operating profit	6,346	5,300
Non-operating income		
Interest income	68	75
Dividend income	179	194
Rental income from facilities	85	90
Commission income	134	135
Share of profit of entities accounted for using equity method	179	299
Subsidy income	268	75
Other	344	616
Total non-operating income	1,261	1,487
Non-operating expenses		
Interest expenses	0	0
Rental expenses on facilities	56	59
Other	46	87
Total non-operating expenses	103	147
Ordinary profit	7,504	6,640
Extraordinary income		
Gain on sale of non-current assets	0	3
Other	1	—
Total extraordinary income	2	3
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on abandonment of non-current assets	31	24
Impairment losses	—	30
Provision of reserves for losses on liquidation of subsidiaries and affiliates	—	16
Provision of allowance for loss on sales of shares of subsidiaries and associates	318	—
Other	3	—
Total extraordinary losses	353	72
Profit before income taxes	7,153	6,571
Income taxes	1,962	2,014
Profit	5,190	4,557
Profit attributable to non-controlling interests	15	24
Profit attributable to owners of parent	5,175	4,533

Consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	5,190	4,557
Other comprehensive income		
Valuation difference on available-for-sale securities	219	166
Foreign currency translation adjustment	77	204
Remeasurements of defined benefit plans, net of tax	585	△564
Share of other comprehensive income of entities accounted for using equity method	149	96
Total other comprehensive income	1,031	△97
Comprehensive income	6,222	4,459
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,204	4,427
Comprehensive income attributable to non-controlling interests	17	32

(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)

(Calculation of tax expenses)

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

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance on Fair Value Measurement Accounting Standard") from the beginning of the first three months of FY2022. The new accounting policy stipulated in Implementation Guidance on Fair Value Measurement Accounting Standard has been applied prospectively, in accordance with the transitional treatment prescribed under Paragraph 27-2 of Implementation Guidance on Fair Value Measurement Accounting Standard. This change has had no effect on the consolidated financial statements.

(Segment information)

Segment information

I Six -month period (April 1, 2021 to September 30, 2021)

1. Sales, income or losses by reportable business segment, and breakdown of revenue

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Sales						
Clean Service businesses	39,513	-	-	39,513	-	39,513
Care Service businesses	6,932	-	-	6,932	-	6,932
Mister Donut business	-	18,403	-	18,403	-	18,403
Other	7,402	1,505	5,262	14,170	-	14,170
Revenue from contracts with customers	53,848	19,908	5,262	79,019	-	79,019
Other revenue	-	-	1,193	1,193	-	1,193
To outside customers	53,848	19,908	6,456	80,213	-	80,213
Intersegment sales and transfers	333	7	1,231	1,572	-1,572	-
Total	54,181	19,915	7,688	81,785	-1,572	80,213
Segment income (loss)	6,465	1,751	538	8,755	-2,408	6,346

(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 income (loss) adjustments of -2,408 million yen include an 89 million yen elimination for intersegment sales and transfers and -2,498 million yen of corporate expenses that cannot be allocated to a particular business segment.
3. Segment income (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 reportable 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 six months of FY2021 and the balance of goodwill at the end of the second quarter are as follows:

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses	Eliminations or corporate	Consolidated total
Amortization	79	6	4	-	91
Balance (Note)	234	35	54	-	325

(Note) Goodwill at the end of the second quarter includes 218 million yen of goodwill in the Direct Selling Group and 35 million yen of goodwill in the Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 54 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

II Six -month period (April 1, 2022 to September 30, 2022)

1. Sales, income or losses by reportable business segment, and breakdown of revenue

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Sales						
Clean Service businesses	40,020	-	-	40,020	-	40,020
Care Service businesses	6,728	-	-	6,728	-	6,728
Mister Donut business	-	20,494	-	20,494	-	20,494
Other	7,105	856	5,578	13,540	-	13,540
Revenue from contracts with customers	53,853	21,350	5,578	80,783	-	80,783
Other revenue	-	-	1,130	1,130	-	1,130
To outside customers	53,853	21,350	6,708	81,913	-	81,913
Intersegment sales and transfers	334	8	1,320	1,664	-1,664	-
Total	54,188	21,359	8,029	83,577	-1,664	81,913
Segment income (loss)	5,081	2,431	443	7,955	-2,655	5,300

(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 income (loss) adjustments of -2,655 million yen include a 16 million yen elimination for intersegment sales and transfers and -2,671 million yen of corporate expenses that cannot be allocated to a particular reportable business segment.
3. Segment income (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 reportable 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 six months of FY2022 and the balance of goodwill at the end of the second quarter are as follows:

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses	Eliminations or corporate	Consolidated total
Amortization	42	6	5	-	55
Balance (Note)	219	21	52	-	294

(Note) Goodwill at the end of the second quarter includes 209 million yen of goodwill in the Direct Selling Group and 21 million yen of goodwill in the Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 52 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