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.

Summary of Consolidated Financial Results for the First Three Months (1Q) of the Fiscal Year Ending March 31, 2024 (FY2023) (Japanese Standards)

August 4, 2023

Company name: Duskin Co., Ltd. Shares listed: Tokyo
Code number: 4665 URL: https://www.duskin.co.jp
Representative: Hiroyuki Okubo, Representative Director, President and CEO
Contact: Keiichi Emura, Operating Officer; Manager, Corporate Planning Tel: (06) 6821-5071

Scheduled date for release of quarterly report: August 10, 2023
Scheduled date of dividend payment commencement: -
Preparation of additional financial results materials: None
Holding of financial results meeting: None

Amounts in the following tables are rounded down to the nearest million yen.

1. Consolidated Financial Results for the Three-Month Period from April 1, 2023 to June 30, 2023

(1) Results of operation

Percentages indicate the change against 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	%
3 months ended June 30, 2023	43,631	6.6	2,020	-24.5	2,597	-22.4	1,678	-18.5
3 months ended June 30, 2022	40,940	3.7	2,674	-2.7	3,345	-1.0	2,059	-9.0

Note: Comprehensive income - 3 months ended June 30, 2023: 2,782 million yen (11.5%); 3 months ended June 30, 2022: 2,496 million yen (54.6%)

	Profit per share	Profit per share (Fully diluted)
	Yen	Yen
3 months ended June 30, 2023	34.75	34.73
3 months ended June 30, 2022	41.66	41.64

(2) Financial positions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	194,518	150,946	77.4
As of Mar. 31, 2023	197,524	151,774	76.6

Reference: Shareholders' equity - June 30, 2023: 150,544 million yen; March 31, 2023: 151,360 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, 2023	–	40.00	–	48.00	88.00
Year ending Mar. 31, 2024	–				
Year ending Mar. 31, 2024 (Forecast)		35.00	–	43.00	78.00

Note: Revision from the most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for FY2023 (April 1, 2023 - March 31, 2024)

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		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half (Cumulative total)	86,200	5.2	2,300	-56.6	3,300	-50.3	2,000	-55.9	41.24
Year ending Mar. 31, 2024	178,700	4.8	4,500	-47.9	6,500	-42.9	4,400	-38.9	90.72

Note: Revision from the most recently announced dividend forecast: None

Notes:

1. Changes in significant subsidiaries during the period (Changes in specific subsidiaries resulting in an adjustment to the scope of consolidation): None
2. Adoption of special accounting methods for preparation of quarterly consolidated financial statements: None
3. Changes in accounting principles and estimates, and retrospective restatements
   (1) Changes due to revision of accounting standards: None
   (2) Changes other than (1) above: None
   (3) Changes in accounting estimates: None
   (4) Retrospective restatements: None
4. Number of shares issued (Common stock)

Number of shares issued (including treasury shares)	As of June 30, 2023:	50,994,823	As of March 31, 2023:	50,994,823
Number of treasury shares	As of June 30, 2023:	2,872,475	As of March 31, 2023:	2,492,646
Average number of shares outstanding during the period	3 months ended June 30, 2023:	48,311,587	3 months ended June 30, 2022:	49,440,865

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.

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1. Qualitative Information

(1) Business Results

During the first three months of fiscal 2023 (April 1 to June 30, 2023), Japan's economy gradually returned to normal with the transition in May 2023 of the coronavirus to a Category V infectious disease (as stipulated in the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases (the Infectious Diseases Control Law)) and the easing of strict restrictions on behavior to prevent the spread of the virus. In the meantime, average wage growth rate rose to its highest level in recent years, the employment and income environment improved, and expectations rose that individual consumption is recovering. But the future remains very unclear because of such factors as the prolonged war between Russia and Ukraine and sharply rising energy and raw material prices and because of such downside risks as the continuing and pronounced depreciation of the yen.

It was in this environment that we embarked on the second year of our Medium-Term Management Policy 2022 (for the three years from fiscal year ending March 31, 2023 to fiscal year ending March 31, 2025). This medium-term business strategy is Phase III and the final phase of our long-term strategy ONE DUSKIN, and we have taken some specific actions in step with the basic policy of the Medium-Term Management Policy 2022. The Direct Selling Group began on a full scale to attach RFID electronic tags to mats and mops as part of its effort began in the previous fiscal year to establish a sustainable laundering and distribution system. In the Clean Service business (rental and sale of dust control and other products), we are in the process of setting up sales teams specializing in sales visits to households — the effectiveness of which was verified at company-owned sales offices and by affiliated companies during the previous year — at our franchisee locations. The Food Group decided to begin delivery service through Uber Eats and Wolt starting from July 10 as part of its effort to further enhance the Mister Donut customer experience. And in addition to these efforts, to help promote local industries through the creation of new businesses and other business development, and to contribute to bolstering the economy and securing employment in the Kansai region, Duskin is investing in the Kansai Innovation Network No. 2 Investment Limited Partnership managed by Senshu Ikeda Capital Co., Ltd.

Consolidated net sales for the first three months of fiscal 2023 increased 2,691 million yen (6.6%) year-over-year to 43,631 million yen. This result was due to higher sales in the Food Group and Other Businesses, despite lower sales in the Direct Selling Group. In terms of profit, consolidated operating profit decreased 654 million yen (24.5%) year-over-year to 2,020 million yen. This was due to a significant increase in cost of sales, as the Direct Selling Group proceeded with the plan to install RFID tags — a strategic investment — despite an increase in gross profit in the Food Group due to higher sales. Consolidated ordinary profit decreased 748 million yen (22.4 %) year-over-year to 2,597 million yen, and profit attributable to owners of the parent decreased 381 million yen (18.5%) to 1,678 million yen.

Millions of yen

	3 months ended June 30, 2022	3 months ended June 30, 2023	Increase/decrease	
				%
Consolidated net sales	40,940	43,631	+2,691	+6.6
Consolidated gross profit	18,915	18,993	+77	+0.4
Consolidated operating profit	2,674	2,020	-654	-24.5
Consolidated ordinary profit	3,345	2,597	-748	-22.4
Profit attributable to owners of parent	2,059	1,678	-381	-18.5

Results by business segment

Sales

Millions of yen

	3 months ended June 30, 2022	3 months ended June 30, 2023	Increase/decrease	
				%
Direct Selling Group	27,089	26,903	-185	-0.7
Food Group	10,716	13,428	+2,712	+25.3
Other Businesses	3,954	3,984	+29	+0.7
Total	41,760	44,316	+2,556	+6.1
Intersegment eliminations	-820	-685	+134	–
Consolidated net sales	40,940	43,631	+2,691	+6.6

Note: Sales by business segment above include intersegment sales.

Operating profit (loss)

Millions of yen

	3 months ended June 30, 2022	3 months ended June 30, 2023	Increase/decrease	
				%
Direct Selling Group	2,467	1,554	-913	-37.0
Food Group	1,266	1,780	+514	+40.6
Other Businesses	271	165	-105	-38.9
Total	4,005	3,500	-504	-12.6
Intersegment eliminations and corporate expenses	-1,330	-1,480	-149	–
Consolidated operating profit	2,674	2,020	-654	-24.5

Note: Operating profit or loss above includes intersegment transactions.

a. Direct Selling Group

Direct Selling Group sales decreased 185 million yen (0.7%) year-over-year to 26,903 million yen. This was mainly due to lower sales in the mainstay Clean Service business. Operating profit decreased by 913 million yen (37.0%) year-over-year to 1,554 million yen, mainly due to higher costs associated with RFID tag installation, which is proceeding according to plan.

Despite higher sales to businesses, Clean Service businesses, the core business of the Direct Selling Group, saw overall sales decline due to decreased sales to the residential market.

For residential products overall sales declined. This was due to a decline in sales for such products as Robot Cleaner SiRo, which was updated the previous fiscal year, compact water purifiers that attach directly to the faucet, and kitchen sponges, for which there had been a last-minute spike in demand ahead of their price revision implemented on July 1 last year. However, sales teams specializing in paying sales visits to residential customers, which have been deployed at Duskin Group business locations since last year, are also being deployed at franchisee locations as of this fiscal year, and this is beginning to produce results in terms of new customer acquisition. In contrast, overall sales for commercial products increased as the substantial need of businesses to practice effective hygiene continues to contribute to the robust sale of mats with antibacterial and antiviral functions, thus increasing overall sales for mat products, a core Direct Selling Group business.

Looking at customer-level sales (estimated sales to end customers) in the Care Service (professional cleaning and technical services) business, ServiceMaster (professional cleaning services), Merry Maids (home cleaning and helper services) and Total Green (plant and flower upkeep) all saw an increase in line with the increase in the number of business locations, although Home Repair (fixing scratches and dents) saw a decline. Terminix (pest control and comprehensive hygiene management), which implemented a price revision in October last year, also saw an increase.

Among other Direct Selling Group businesses, sales increased at Rent-All (rental of special event and daily use items) as the event business continues to recover to pre-pandemic levels. Higher sales were also posted at Health Rent (rental and sales of assisted-living products), which continues to have strong sales, and Life Care (support services for seniors). On the other hand, the cosmetics-related business and uniform-related business posted lower sales.

b. Food Group

Food Group sales increased 2,712 million yen (25.3%) year-over-year to 13,428 million yen. This was mainly due to an increase in total customer-level sales at all shops of the mainstay Mister Donut business, as well as an increase in raw material sales and royalty sales. Food Group operating profit increased 514 million yen (40.6%) year-over-year to 1,780 million yen.

As in the previous fiscal year, Mister Donut continued to record solid results, with both customer traffic and sales per customer higher than the previous year and customer-level sales per shop higher than the previous year. Moreover, there are more shops in operation primarily due to new shop openings, and total customer-level sales for all shops were higher year-over-year. Among specific products, MISDO Meets Gion Tsujiri, a series of products jointly developed with Kyoto green tea specialty brand Gion Tsujiri that is now in its seventh year, continues to be immensely popular. Moreover, the first installment of our regular product anniversary special offers, White Pon De Ring, which celebrates the 20th anniversary of Pon De Ring, has had an excellent reception and greatly contributed to increased sales. In addition, in our MISDO GOHAN series — which aims to encourage customers to use more Mister Donut product and services by meeting customer demand for light meals — we launched Crunchy Soft Ring in June. The popularity of this ring-shaped piece of dough combining both soft and crunchy textures and containing two different ingredients has also contributed to increased customer traffic.

Among other Food Group businesses, sales at Pie Face, a pie specialty shop, declined due to a decrease in the number of shops, while sales at Katsu & Katsu pork cutlet restaurants increased.

c. Other Businesses

Overall sales in the Other Business segment increased 29 million yen (0.7%) year-over-year to 3,984 million yen. This was due to an increase in sales of domestic consolidated subsidiaries, which offset a decrease in sales from overseas operations. However, operating profit decreased 105 million yen (38.9%) year-over-year to 165 million yen due to the large impact of increased personnel and other costs at domestic consolidated subsidiaries.

Both medical facility management services (Duskin Healthcare Co., Ltd.) and the leasing and insurance agency business (Duskin Kyoeki Co., Ltd.), both of which operate domestically, reported higher sales but lower profits due to increases in costs and expenses including higher personnel costs.

Overseas, the dust control products rental and sales business in China (Duskin Shanghai Co., Ltd.) experienced a decline in sales due to the impact of cancellations of large chain stores. Big Apple Worldwide Holdings Sdn. Bhd., which operates mainly in Malaysia, also reported lower sales.

(2) Financial Position

Consolidated total assets at the end of the first quarter amounted to 194,518 million yen, a decrease of 3,006 million yen from the end of the previous fiscal year. The main factors were a 4,674 million yen decrease in securities and a 1,137 million yen decrease in cash and deposits, while accounts receivable-other and merchandise and finished goods increased by 1,805 million yen and 779 million yen, respectively.

Total liabilities amounted to 43,572 million yen, down 2,178 million yen from the end of the previous fiscal year. The main factors were decreases of 2,457 million yen in provision for bonuses and 2,128 million yen in accounts payable - other, while deferred tax liabilities increased 1,146 million yen and other current liabilities increased 1,144 million yen.

Net assets totaled 150,946 million yen, a decrease of 827 million yen from the end of the previous fiscal year. The main factors were a 1,231 million yen increase in treasury stock (net assets decreased) mainly due to stock repurchases and a 672 million yen decrease in retained earnings, while valuation difference on available-for-sale securities increased 1,194 million yen.

(3) Forecast

The forecasts for the first-half and full-year business results of fiscal 2023 (April 1, 2023 to March 31, 2024) remain unchanged from those announced on May 15, 2023.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	18,207	17,070
Notes and accounts receivable - trade, and contract assets	11,553	11,423
Lease receivables and investments in leases	1,003	1,007
Securities	19,864	15,190
Merchandise and finished goods	8,212	8,992
Work in process	290	280
Raw materials and supplies	2,629	2,803
Accounts receivable - other	5,666	7,472
Other	1,707	2,286
Allowance for doubtful accounts	-13	-14
Total current assets	69,122	66,513
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,027	45,213
Accumulated depreciation	-30,546	-30,823
Buildings and structures, net	14,481	14,389
Machinery, equipment and vehicles	26,141	26,971
Accumulated depreciation	-18,754	-19,059
Machinery, equipment and vehicles, net	7,386	7,912
Land	22,439	22,439
Construction in progress	320	292
Other	15,715	15,872
Accumulated depreciation	-11,267	-11,480
Other, net	4,448	4,391
Total property, plant and equipment	49,076	49,424
Intangible assets		
Goodwill	253	227
Software	5,645	5,284
Other	1,556	1,645
Total intangible assets	7,454	7,157
Investments and other assets		
Investment securities	61,743	61,874
Retirement benefit asset	2,987	2,989
Deferred tax assets	887	922
Guarantee deposits	5,260	5,014
Other	1,012	641
Allowance for doubtful accounts	-19	-19
Total investments and other assets	71,871	71,422
Total non-current assets	128,402	128,004
Total assets	197,524	194,518

Millions of yen

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,594	8,471
Income taxes payable	1,147	215
Provision for bonuses	4,022	1,565
Accounts payable - other	9,759	7,630
Guarantee deposit received for rental products	8,771	8,760
Other	5,537	6,681
Total current liabilities	36,832	33,326
Non-current liabilities		
Long-term borrowings	1,115	1,115
Retirement benefit liability	5,850	5,979
Asset retirement obligations	607	626
Long-term guarantee deposits	982	1,016
Long-term accounts payable - other	9	9
Deferred tax liabilities	352	1,499
Total non-current liabilities	8,917	10,246
Total liabilities	45,750	43,572
Net assets		
Shareholders' equity		
Share capital	11,352	11,352
Capital surplus	11,088	11,088
Retained earnings	124,943	124,270
Treasury shares	-7,102	-8,334
Total shareholders' equity	140,282	138,377
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,532	9,727
Deferred gains or losses on hedges	-0	-0
Foreign currency translation adjustment	245	278
Remeasurements of defined benefit plans	2,300	2,160
Total accumulated other comprehensive income	11,078	12,166
Share acquisition rights	49	49
Non-controlling interests	364	352
Total net assets	151,774	150,946
Total liabilities and net assets	197,524	194,518

(2) Consolidated Statements of Income and Statements of Comprehensive Income

Consolidated statements of income

Millions of yen

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	40,940	43,631
Cost of sales	22,025	24,638
Gross profit	18,915	18,993
Selling, general and administrative expenses	16,240	16,972
Operating profit	2,674	2,020
Non-operating income		
Interest income	35	58
Dividend income	191	193
Rental income from facilities	45	41
Commission income	69	64
Share of profit of entities accounted for using equity method	50	94
Other	362	252
Total non-operating income	755	704
Non-operating expenses		
Interest expenses	0	0
Rental expenses on facilities	33	31
Cancellation penalty	0	31
Loss on abandonment of inventories	29	–
Other	21	65
Total non-operating expenses	84	127
Ordinary profit	3,345	2,597
Extraordinary income		
Gain on sale of non-current assets	1	1
Total extraordinary income	1	1
Extraordinary losses		
Loss on abandonment of non-current assets	14	21
Total extraordinary losses	14	21
Profit before income taxes	3,333	2,576
Income taxes	1,259	881
Profit	2,074	1,694
Profit attributable to non-controlling interests	14	15
Profit attributable to owners of parent	2,059	1,678

Consolidated statements of comprehensive income

Millions of yen

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	2,074	1,694
Other comprehensive income		
Valuation difference on available-for-sale securities	597	1,201
Foreign currency translation adjustment	95	11
Remeasurements of defined benefit plans, net of tax	-282	-138
Share of other comprehensive income of entities accounted for using equity method	11	14
Total other comprehensive income	421	1,088
Comprehensive income	2,496	2,782
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,478	2,766
Comprehensive income attributable to non-controlling interests	17	16

(3) Notes to Consolidated Financial Statements

Notes relating to going concern assumption
None.

Notes on significant changes in shareholders' equity
The Company repurchased 397,900 shares during the first quarter of this consolidated fiscal year based on a resolution of the Board of Directors meeting held on November 8, 2022. As a result, treasury stock increased by 1,231 million yen, including changes due to the disposal of Company shares held by the Employee Stock Ownership Plan. Consequently, treasury stock amounted to 8,334 million yen as of June 30, 2023.

Segment information and other information

Segment information

1) First three months of FY2022 (April 1 to June 30, 2022)

a) Sales, income or losses by reportable business segment, and breakdown of revenue

Millions of yen

	Direct Selling Group	Food Group	Other Businesses[1]	Total	Adjustment[3]	Consolidated total[4]
Sales						
Clean Service businesses	20,066	–	–	20,066	–	20,066
Care Service businesses	3,459	–	–	3,459	–	3,459
Mister Donut business	–	10,296	–	10,296	–	10,296
Other	3,413	415	2,725	6,554	–	6,554
Revenue from contracts with customers	26,939	10,712	2,725	40,377	–	40,377
Other revenue[2]	–	–	563	563	–	563
To outside customers	26,939	10,712	3,288	40,940	–	40,940
Intersegment sales and transfers	149	4	666	820	–820	–
Total	27,089	10,716	3,954	41,760	–820	40,940
Segment income (loss)	2,467	1,266	271	4,005	–1,330	2,674

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. Other revenue represents revenue from leasing of office equipment and vehicles.
3. Segment income (loss) adjustments of -1,330 million yen include a 5 million yen elimination for intersegment sales and transfers and -1,336 million yen of corporate expenses that cannot be allocated to a particular reportable business segment.
4. Segment income (loss) has been adjusted for consistency with operating profit that is shown in the consolidated statements of income.

b) 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 three months of FY2022 and the balance of goodwill at the end of the first quarter are as follows:

Millions of yen

	Direct Selling Group	Food Group	Other Businesses	Elimination or corporate	Total
Amortization	19	3	2	–	25
Balance*	219	25	51	–	296

* Goodwill at the end of the first quarter includes 208 million yen of goodwill in the Direct Selling Group and 25 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 51 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.

2) First three months of FY2023 (April 1 to June 30, 2023)

a) Sales, income or losses by reportable business segment, and breakdown of revenue

Millions of yen

	Direct Selling Group	Food Group	Other Businesses[1]	Total	Adjustment[3]	Consolidated total[4]
Sales						
Clean Service businesses	19,584	–	–	19,584	–	19,584
Care Service businesses	3,517	–	–	3,517	–	3,517
Mister Donut business	–	12,982	–	12,982	–	12,982
Other	3,647	428	2,891	6,967	–	6,967
Revenue from contracts with customers	26,749	13,411	2,891	43,051	–	43,051
Other revenue[2]	–	–	579	579	–	579
To outside customers	26,749	13,411	3,471	43,631	–	43,631
Intersegment sales and transfers	154	17	513	685	-685	–
Total	26,903	13,428	3,984	44,316	-685	43,631
Segment income (loss)	1,554	1,780	165	3,500	-1,480	2,020

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. Other revenue represents revenue from leasing of office equipment and vehicles.
3. Segment income (loss) adjustments of -1,480 million yen include a 6 million yen elimination for intersegment sales and transfers and -1,486 million yen of corporate expenses that cannot be allocated to a particular reportable business segment.
4. Segment income (loss) has been adjusted for consistency with operating profit that is shown in the consolidated statements of income.

b) 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 three months of FY2023 and the balance of goodwill at the end of the first quarter are as follows:

Millions of yen

	Direct Selling Group	Food Group	Other Businesses	Elimination or corporate	Total
Amortization	22	1	2	–	26
Balance*	170	13	42	–	227

* Goodwill at the end of the first quarter includes 165 million yen of goodwill in the Direct Selling Group and 13 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 42 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.