

Financial Results for the Six Months Ended August 31, 2019

AEON DELIGHT CO., LTD.

**Kazumasa Hamada,
President, Group CEO**

October 10, 2019

1 Financial Report for the First Half of FY2/20

2 Progress of Recurrence Prevention Measures for Inappropriate Accounting by KAJITAKU

3 Aeon Delight Vision 2025

4 Initiatives for the Second Half of FY2/20

Consolidated Statement of Income

Sales and profits increased, and all-time high profits were reported.

Showed steady progress against the plan.

(100 million yen)

	FY2/19		FY2/20		Difference	Percentage change
	1H (Ratio to sales)		1H (Ratio to sales)			
Net sales	1,526	(100.0%)	1,574	(100.0%)	48	103.2%
Gross profit	174	(11.4%)	197	(12.5%)	23	113.2%
SG&A expenses	111	(7.3%)	111	(7.1%)	▲0	99.8%
Operating income	62	(4.1%)	85	(5.5%)	23	137.0%
Ordinary income	63	(4.2%)	86	(5.5%)	23	136.3%
Net income attributable to owners of parent	28	(1.9%)	51	(3.3%)	23	182.5%

[Reference] Income Statement excluding KAJITAKU (Same Scale Comparison)

Net sales increased due to the expansion of new customers and the growth of overseas subsidiaries.

Operating income increased driven by the Building Maintenance business.

(100 million yen)

[Reference]

[Reference]	FY2/19		FY2/20		Difference	Percentage change
	1H (Ratio to sales)		1H (Ratio to sales)			
Net sales	1,498	(100.0%)	1,547	(100.0%)	48	103.3%
Gross profit	194	(13.0%)	199	(12.9%)	5	102.6%
SG&A expenses	106	(7.1%)	107	(6.9%)	0.5	100.5%
Operating income	87	(5.8%)	92	(6.0%)	4	105.2%

Sales by Segment

Increase sales in 4 businesses.

Cleaning services: Acquisition of Indonesia's SJS contributed to the growth.

Construction work: Construction orders increased

(100 million yen)

	FY2/19 1H	FY2/20 1H	Percentage change
Facilities management	281	296	105.4%
Security services	220	221	100.5%
Cleaning services	286	309	108.0%
Construction work	216	231	106.6%
Materials/supplies sourcing services	260	259	99.6%
Vending machine services	163	160	98.1%
Support services	97	96	99.4%
(Reference) Excluding KAJITAKU	69	68	99.3%
Total	1,526	1,574	103.2%

Profit by Segment

Increase sales in 4 businesses. Earnings model of vending machine services has changed.

Materials: Worked to reduce logistics costs to improve profitability

(100 million yen)

FY2/19 1H

FY2/20 1H

Percentage change

Facilities management

28

27

99.2%

Security services

14

14

100.7%

Cleaning services

33

35

106.2%

Construction work

20

21

107.8%

Materials/supplies
sourcing services

14

13

90.6%

Vending machine
services

5

7

132.1%

Support services

△15

2

- %

(Reference)
Excluding KAJITAKU

9

8

94.3%

Total

100

122

121.9%

Consolidated Balance Sheet

(100 million yen)

Assets	2019/2	2019/8	Difference
Current assets	1,072	1,105	32
Tangible fixed assets	101	98	▲ 3
Intangible fixed assets	81	76	▲ 4
Investments, etc.	85	74	▲ 10
Fixed assets	267	250	▲ 17
Total assets	1,340	1,355	14

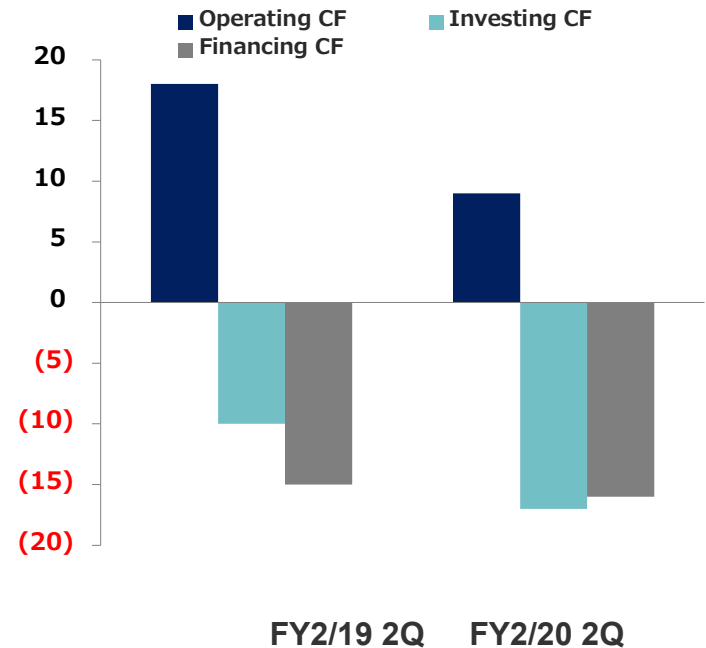
Liabilities and net assets	2019/2	2019/8	Difference
Current liabilities	514	500	▲ 13
Fixed liabilities	71	65	▲ 6
Total liabilities	585	565	▲ 19
Shareholder's equity	727	763	36
Total net assets	755	789	34
Total liabilities and net assets	1,340	1,355	14

Consolidated Cash Flow Statement

(100 million yen)

	2018/8	2019/8	Difference
Cash flows from operating activities	18	9	▲8
Cash flows from investing activities	▲10	▲17	▲6
Cash flows from financing activities	▲15	▲16	▲1
Cash and cash equivalents at the end of year	378	409	31

(100 million yen)



Strengthening Group Governance Structure

In response to recommendations from the Special Investigation Committee regarding inappropriate accounting by KAJITAKU, we formulated measures to prevent recurrence (details will be presented later).

**We will establish 3 pillars of group governance for thorough implementation of measures to prevent recurrence
(① Growth strategies of each company, ② Budget control, ③ Internal control system)**

① Reorganization of the Board of Directors

② Implement structural reforms (newly established Group CEO, COOs, CCOs, and CFO)



Accelerating the Aeon Delight Group's Growth Strategy

Major initiatives for the First Half

1 Safety

- Aggressive proposal activities to support the development of disaster prevention and disaster mitigation systems
- Promoted direct management of maintenance and inspection services to enhance technical capabilities as a group of specialists in facility management
- Research and development of power storage systems using renewable energy as part of BCP measures

2 Labor shortage

- Developed integrated facility management services using open building automation system to build AD Platform
- Started a new project with SECOM CO., LTD to strengthen non-onsite management to expand service provision to small and medium-sized offices in the Kanto region

3 Environment

- To establish energy management services, promoted demonstration of electricity supply for renewable energy in the Urawamisono district in Saitama Prefecture through collaboration with other companies.

Domestic: Initiatives to Reduce Safety and Environmental Impact

September 1, 2019

2019 Comprehensive Emergency Drill in Okinawa Prefecture

- ✓ AEON CO., LTD. and AEON RYUKYU CO.,LTD. participated this event
- ✓ Aeon Group established Balloon Shelter, a large-scale tent for emergency evacuation to accommodate up to 50 people, for the first time in remote islands in Okinawa (Miyakojima).

Going forward, Aeon Group companies will cooperate with local governments and relevant organizations to

**Help ensure safety
in local communities**

地域社会の「安全・安心」に貢献 イオングループ 沖縄県の防災訓練に参加

イオンデイライト(株)は、イオン琉球(株)とともに、9月1日に沖縄県・宮古島市・多良間村主催のもとに開催された「令和元年度沖縄県総合防災訓練」に参加した。

沖縄県は、複数の島々から構成される県であり、地震や津波発生時には、他地域からの支援に時間を要することから、災害発生時における初期対応力の強化を主眼に防災対策に注力している。

今回の訓練では、災害対策基本法48条および沖縄県・市町村の地域防災計画に基づき、防災関係

機関および地域住民総勢約2000人の参加のもと、災害発生時における連携や対応状況を検証するとともに、広く県民の防災意識の高揚が図られた。

巨大地震と津波の発生により、宮古圏域に甚大な被害が発生したという想定で、避難訓練、消防・自衛隊・医療機関などによる救助訓練、通信・電力・輸送などのライフライン関係の防災機材・車両の展示など、多くの関係機関による総合的な訓練となった。

イオングループ各社はメイン会場である平良港

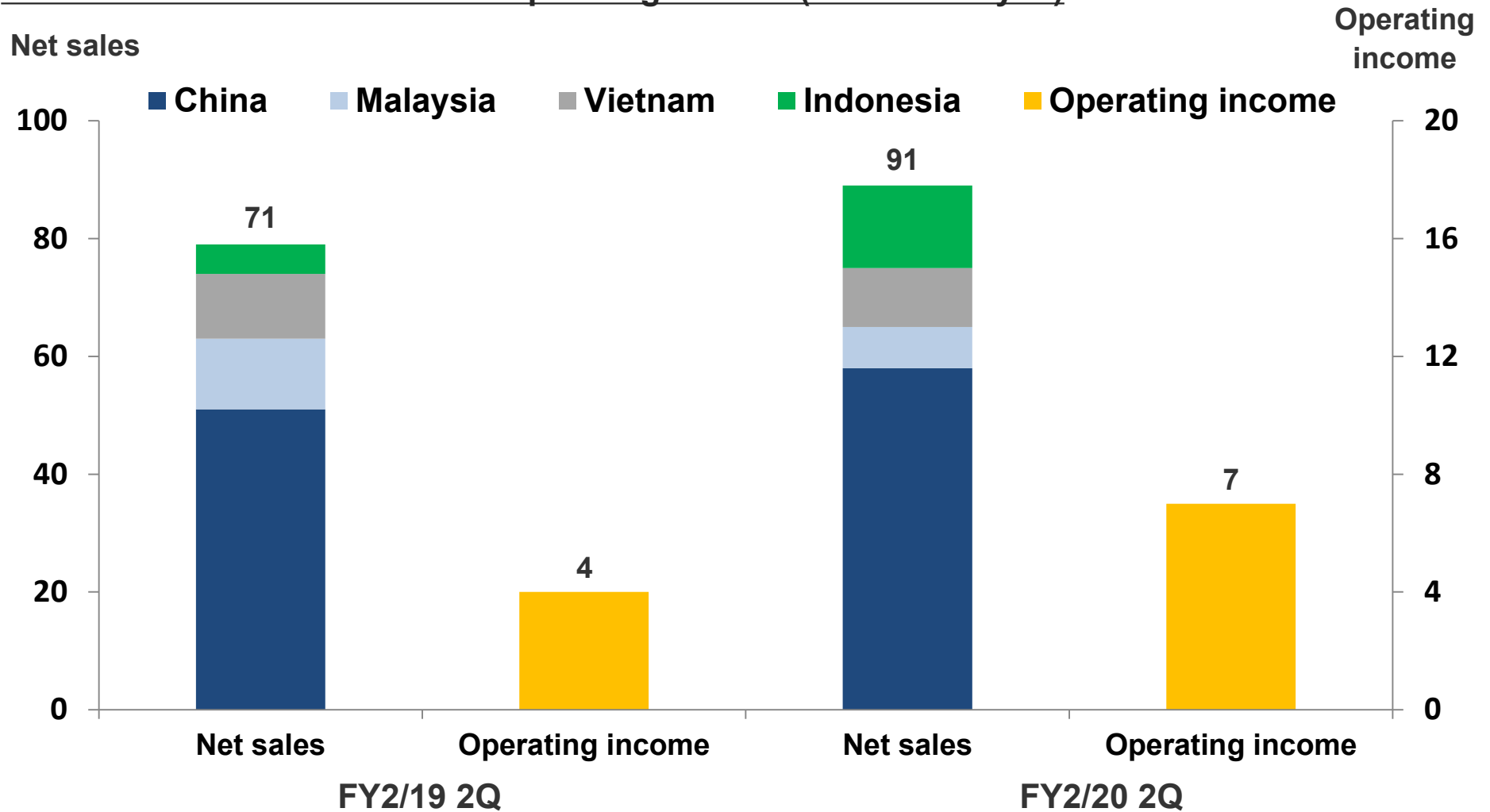


緊急避難用大型テント「バルーンシェルター」を設営

Business expansion in Asia

Double-digit growth in both sales and operating income in the Overseas Business (*)

Overseas Business: Sales and Operating Income (100 million yen)



* Figures are simple totals of results of operating companies.

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Improvement of Compliance Structures of the Group Companies

Established to strengthen group governance
and implement preventive measures on July 24

Group Compliance Division

Group Compliance Department

Group Internal Control Department

Group Internal Audit Department

Group Legal Department

Named "Group" on all
4 subordinate departments
**to strengthen governance
from a Group perspective**

For the entire AEON Delight Group

Creating a corporate culture that does not cause frauds



Establishment of fraud prevention mechanisms



**Strengthening the Group's management foundation
from the viewpoints of corporate culture and structure**

■ Recommendations for improvement concerning the management of our subsidiaries

- (1) Changes in the consciousness of our executives**
- (2) Review of budget control-oriented subsidiary management system**
- (3) Clarification of divisions and executives in charge of improvement of subsidiaries' compliance structures, etc.**
- (4) Expansion of Compliance division, Affiliated companies administration division and Management audit division**
- (5) Dispatch of full-time executives and staffs to subsidiaries**

■ Recommendations for recurrence prevention measures at KAJITAKU

- (1) KAJITAKU's management reshuffle, increase directors**
- (2) Reform corporate culture, change in compliance consciousness**
- (3) Enhancement of KAJITAKU's Administration division (Accounting division in particular)**
- (4) Improvement of KAJITAKU's compliance structure, organizational reform**
- (5) Clearly state business procedures and workflow and thoroughly comply with them**

Basic Policy for recurrence prevention measures at our company

No.	Our Company's recurrence prevention measures	Implementation
①	Changes in the consciousness of our executives to further promote compliance structure	FY2/20 3Q
②	Review of subsidiary management system to support stable and sustainable growth of the group companies	FY2/21 1Q
③	Improvement of compliance structures of the group companies	FY2/20 3Q
④	Improvement of the organization to carry out audits from the viewpoint of the group companies' healthy business support, appropriate monitoring and prevention of inappropriate acts	FY2/20 3Q
⑤	Dispatch of full-time executives and staffs engaged in businesses on a daily basis, early detection of inappropriate acts through personnel exchanges and improvement of corporate culture	FY2/20 3Q

For more details of recurrence prevention measures:

"Measures to Prevent Recurrence of Inappropriate Accounting at Our Consolidated Subsidiary KAJITAKU CO., Ltd."

at July. 22, 2019

Basic Policy for Recurrence prevention measures at KAJITAKU

No.	KAJITAKU's Recurrence prevention measures	Implementation
①	Management reshuffle, delivery of compliance-oriented message by the new President	Continuous improvement
②	Reform corporate culture, change in compliance consciousness	FY2/21 1Q
③	Ensuring of reliability of financial, accounting and budget businesses, visualization of operations	FY2/20 3Q
④	Establishment of compliance structure, compliance with company rules and thorough monitoring	FY2/20 4Q
⑤	Clearly state business procedures and workflow and thoroughly comply with them	FY2/20 4Q

For more details of recurrence prevention measures:

"Measures to Prevent Recurrence of Inappropriate Accounting at Our Consolidated Subsidiary KAJITAKU CO., Ltd."
at July. 22, 2019

Monitor the progress of preventive measures and evaluate the effectiveness

Including outside experts, we established

Recurrence Prevention Committee

on October 1

Held quarterly through the end of February 2021

Recommended corrections to Aeon Delight as necessary



Thorough prevention of recurrence with objective evaluation to enhance effectiveness

[Basic policy]

Verify business continuity on the assumption that the Company will not record further loss

● Housekeeping Support Business

The market is expected to expand in the future

▶ Consider pursuing growth through efficient management from the perspective of “selection and concentration”

● Store Support Business

▶ Temporarily stop selling and placing new equipment, and focus on improving existing contracts

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Aeon Delight Vision 2025

Aiming to be an environmental value-creating company in Asia that resolves social issues based on “Safety,” “Labor shortage,” and “Environment” as the three pillars of its growth strategies



Net sales

¥525 billion

Operating income

¥48 billion

AEONdelight Vision 2025

**Net Sales
Global TOP10**

**Net Sales
No.1 in Asia**

**Operating
income margin
Global
Top-level**

To become Asia's No.1 Facility Management Corporate Group

Japan

- By utilizing the AD platform and building a service network,
Form regional economic zones in each area where 8 branches are located.

China

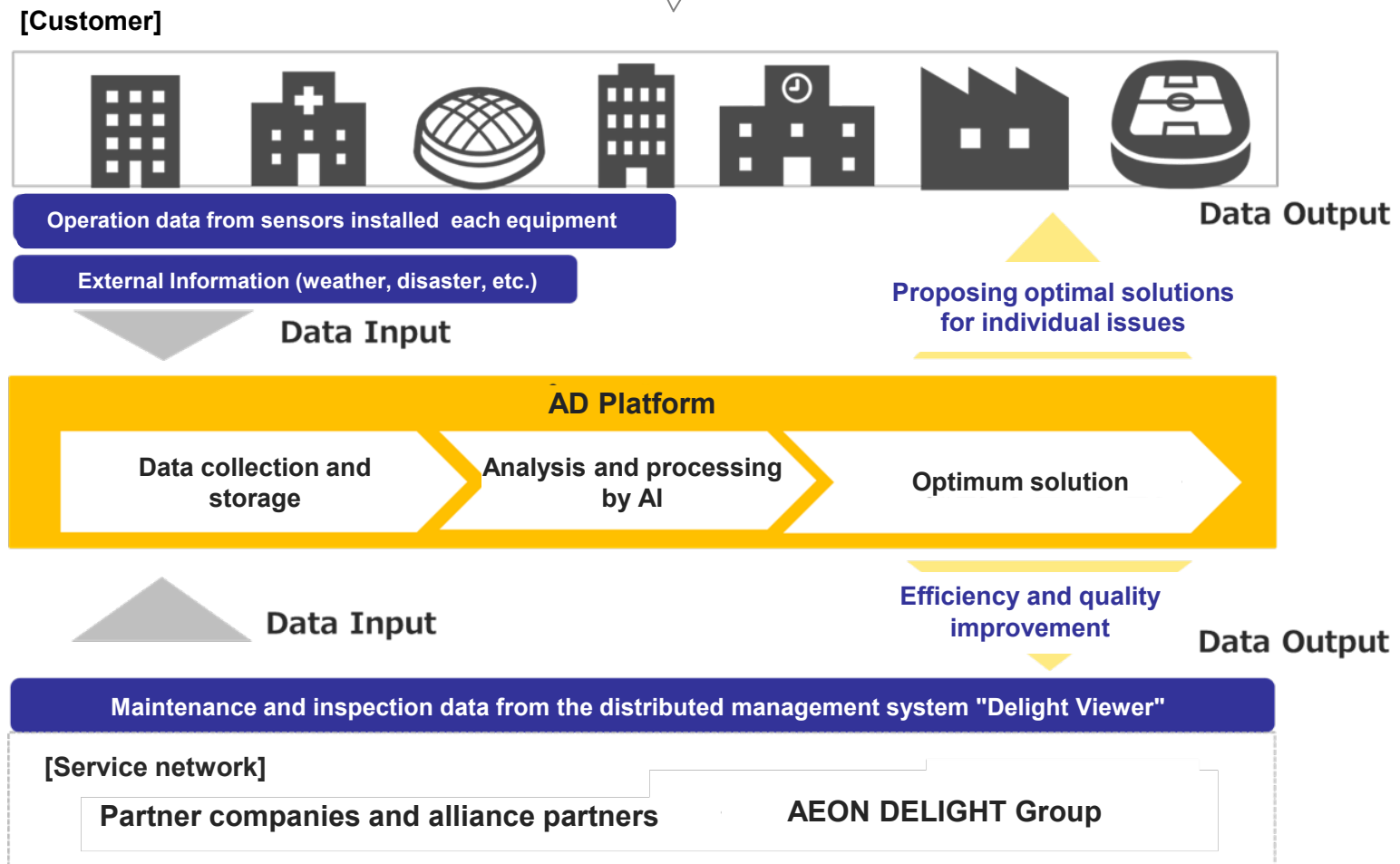
- Accelerate business expansion through "One Aeon Delight Strategy"
Form regional economic zones in line with the Yangtze River Economic Belt

ASEAN

- Build optimal FM models for each area

To Form Regional Economic Zones -AD Platforms and Service Networks

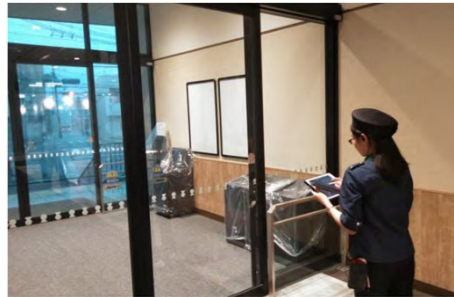
Providing optimal solutions for customers' issues



Started Provision of Integrated Facility Management Services Using Open Systems

Achieved energy saving of facilities, reduction of operation costs,
and labor saving of FM operations

Development and launch of new services as the foundation of AD platform



[Integrated facility management services]

- Networking/Integrated control of facilities through an open system
- Remote operations with mobile devices and wearable cameras
- Use IoT garbage box, automated-driving cleaning robots



- Controlling all kinds of facilities **anywhere** with mobile terminals
Realized a Moving Disaster Prevention Center

Establish a corporate brand as a facilities management experts

Enhance **human** and **technical capabilities**
to demonstrate leadership in service networks in
regional economic zone

FY2/20 2H

To further refine our technical capabilities

Hold **Technical Contests** in Facility Management, Security, and Cleaning

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Progress toward FY2/20 Full-Year Forecasts

We will work to achieve full-year forecasts by improving the profitability of our core businesses, further expanding our share of the domestic market and increasing profits through growth of domestic and overseas subsidiaries

(100 million yen)	1H Result	2H Plan	Full-year Forecast	1H Progress Rate
Net sales	1,574	1,576	3,150	50.0%
Operating income	85	95	180	47.2%
Ordinary income	86	94	180	47.8%
Net income attributable to owners of parent	51	57	108	47.2%

Target Achievement Scenario for Full-year Operating Income

2H Operating Income Target (excluding KAJITAKU,): **9.32** billion yen, **+1** billion yen YoY (*)

* Calculated from the operating income target of KAJITAKU for 2H of 180 million yen and the results for the previous FY of 8.32 billion yen.

Item	Change in Gross profit vs. previous 2H (100 million yen)
① AEON DELIGHT(Non-consolidated)	4 ~ 5
② Domestic subsidiaries	1
③ Overseas subsidiaries	5
①~③ Total gross profit	10 ~ 11
Change in SG&A expenses YoY	0
Change in operating income YoY	10 ~ 11

Achieve profit target for 2H by promptly tackling issues in core businesses

**In FY2019, through the promotion of branch management,
increase share of building maintenance business in various regions**

- Meanwhile,**
- ✓ Improve profitability in facility management and cleaning**
 - ✓ Achieve steady capture of construction demand in construction work**

**These are issues for securing profit target for 2H
(to be addressed from the next section)**

Reduce Costs through Business Structural Reforms and Direct Management

① Reform the business structure.

- Promote labor savings at resident sites by continuing to improve efficiency in on-site operations from the previous fiscal year
- Accelerate labor saving in conjunction with the expansion of the introduction of open systems
- Resources redeployed to sales centers (patrol-type bases)

② Direct management of maintenance and inspection services

- Made emergency power generators burden test directly under management (trial conducted during the 3Q)

**Labor savings on business at group companies and partner companies
to reduce cost of sales including outsourcing costs**

Improve profitability by eliminating low-profit properties and expanding sales of high-profit services and products

① Elimination of low-profit properties

Examine the income and expenditures of each property on a branch office basis, and eliminate low-income properties

② To expand sales of highly profitable services and products

Expand sales of highly profitable services and products that require specialized technologies, such as escalator step cleaning and food workplace cleaning, in collaboration with Group companies



To improve profitability

**Avoid missed opportunities in growth areas
with a flexible service supply system**

**Despite a strong trend in renovation work,
demand for some construction projects in 2Q delayed to 3Q or later**

 **Develop a flexible construction system centered on the large
markets of the Kanto and Kansai regions to avoid missed
opportunities in growth areas**


**Steadily capture construction demand associated with
large-scale renovations and the replacement of
commercial facilities as tenants**

Growth of Domestic Subsidiaries

Through collaboration with our branch offices, we have maintained a strong trend, especially among building maintenance companies.

Aiming to further expand market share for building regional economic zones.

【Service network】

	Performance trends of group companies	Partner companies
District characteristic	<ul style="list-style-type: none">● <u>Kankyouseibi</u>, <u>DO SERVICE</u>, and <u>A to Z Service</u> remained strong as in the 1H.● <u>Hakuseisha</u> began providing services to large-scale department stores that opened in September	<p>• • •</p> <div>Selecting the best partners in each area</div>
Expertise	<ul style="list-style-type: none">● <u>Aeon Delight Security</u> maintained a strong trend as in the 1H.	<p>• • •</p>

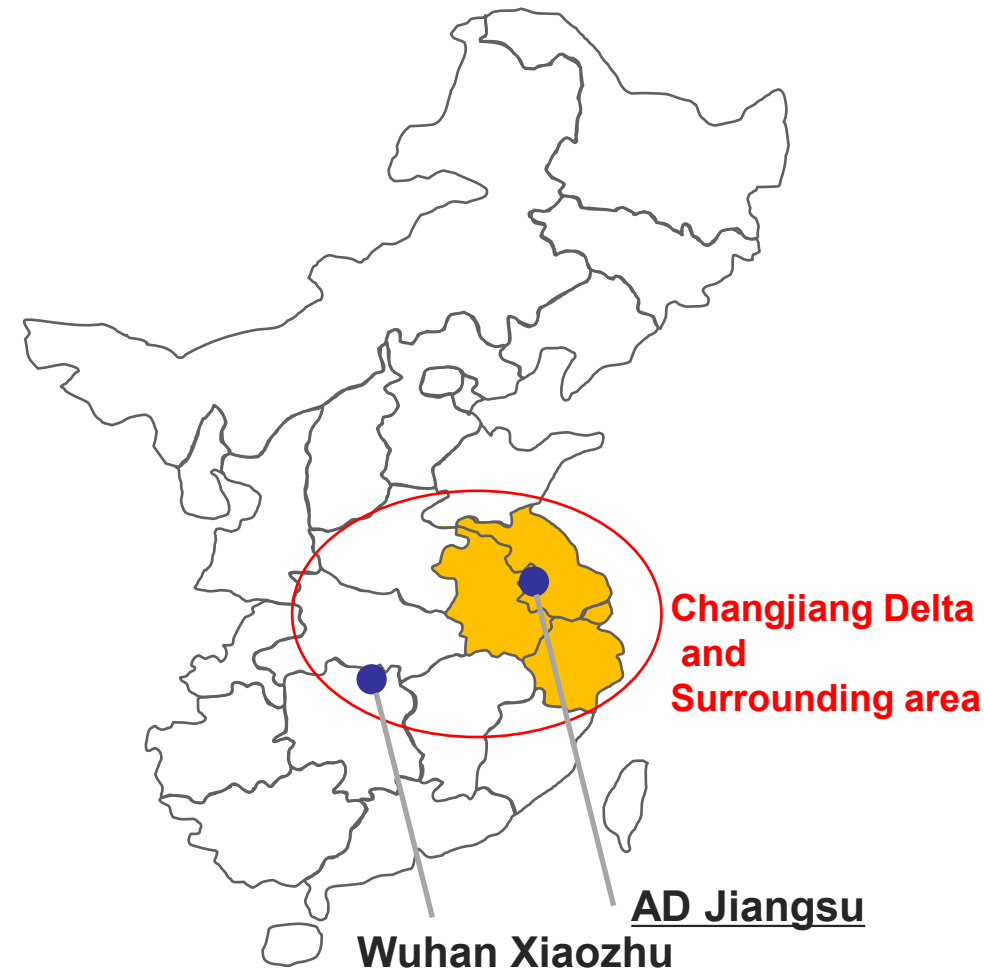
Expand contracts, mainly in the Yangtze River Delta region, based on One Aeon Delight strategies

【One Aeon Delight Strategies】

- ① Unifying Operations by building Aeon Delight brand
- ② Enhancing Quality and Brand Power
- ③ In the Yangtze River delta and surrounding areas, expanding contracts for facilities targeted (*)

* Priority targets: Medium-to-high-end shopping centers, hospitals and nursing homes, Infrastructure and Developing Area, etc.

Changjiang Delta and Surrounding area



Expand business in Indonesia, ASEAN's largest market



**Shifting PT Sinar Jernih Sarana (Syneral
Journey Salana) from a cleaning business
to an FM company
through outsourcing of comprehensive
facilities management at local AEON Mall**



**Establishment of FM models
suitable for each ASEAN region**

Supplementary information

Dividends have increased for 14 consecutive years since FY2/06.
15 Consecutive Years of Dividend Increase

For FY2/19, we increased the dividend by 2 yen from the previous fiscal year, to **63 yen**

For FY2/20, based on the assumption that the performance forecasts will be achieved,

Plan to pay dividends of **65 yen,**
up 2 yen from FY2/19 with consolidated dividend payout ratio of 30% (*)

* Net income attributable to owners of parent: 10.8 billion yen

If you have any questions or comments, please contact us below.

- These materials contain statements about forecasts and estimates relating to the future plans, strategies, and performance of AEON DELIGHT.

These statements are based not only on past performance, but also on assumptions based on information currently available to the company. For this reason, please note that the actual performance may differ from our estimates.

- The information contained in these materials has been prepared by the following methods if not specifically stated otherwise.

- ◇ All statements are based on consolidated results
- ◇ All figures of less than 100 million yen have been rounded down
- ◇ Percentages have been rounded off to one decimal place

AEON DELIGHT CO., LTD.
(Securities Code: 9787)

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Based on information available up to the date of publication (June 28, 2019)
These forecasts have been prepared and are subject to change due to various factors going forward.