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Aeon Delight

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Executive summary

Aeon Delight Co., Ltd. is Japan's largest facilities management company, providing various solutions for customer facilities and their surrounding environments. The company provides services for integrated facilities management and ancillary work that is non-core for the customer. These services streamline overall facility costs and generate rationalization benefits for the customer. Aeon Delight is more than 50% owned by the Aeon group. Aeon is a large retailing group, comprising more than 300 Japanese and overseas companies and generating group sales of more than JPY8tn. In FY02/22, Aeon Delight derived 64.4% of its sales from transactions within the group.

Looking at performance by segment, in FY02/22 Facilities Management accounted for 19.4% of total sales and 22.7% of operating profit. The corresponding figures were 14.9% and 14.2% for Security Services, 21.1% and 33.4% for Cleaning Services, 13.5% and 14.8% for Construction Work, 17.8% and 10.6% for Materials and Supplies Sourcing Services, 8.3% and 2.5% for Vending Machine Services, and 5.0% and 1.8% for Support Services. Customers from outside the Aeon group include commercial facilities, office buildings and offices, hotels and accommodation facilities, medical and welfare facilities, education facilities, factories and workshops, warehouses and distribution centers, government offices, and events. The company operates a recurring revenue business model. Contracts typically last for one year and are usually renewed, maintaining low cancellation rates.

Overseas, the company is active in China, Malaysia, Vietnam, and Indonesia, operating in the Facilities Management, Security Services, Cleaning Services, and Support Services segments. Around half of overseas customers are members of the Aeon group. Overseas operations accounted for 7.8% of sales in FY02/22. The company uses a three-pronged growth strategy that addresses safety and security, manpower shortage, and the environment, and aims to expand its contracted facilities management services throughout the Asian region. In China, the strategy is to provide quality facilities management centered on Central and South China to boost the Aeon Delight brand profile.

Trends and outlook

For FY02/22, the company reported sales of JPY317.7bn (+5.9% YoY), operating profit of JPY15.7bn (+3.3% YoY), recurring profit of JPY15.8bn (+3.4% YoY), and net income attributable to owners of the parent of JPY10.7bn (-8.7% YoY). Sales rose YoY in all seven segments, and operating profit was up in all but two (Construction Work and Vending Machine Services). The Cleaning Services segment saw increases in sales and profit and buoyed overall performance. This segment benefited from the pandemic, as the company was called upon to clean entire facilities with alcohol disinfectant whenever someone there tested positive for COVID-19. In the Construction Work segment, sales rose but profit fell. Sales benefited from orders for restoration work related to the Fukushima Prefecture Offshore earthquake in February 2021. However, various construction projects were postponed or scaled back due to the pandemic. Despite an extraordinary gain associated with the sale of fixed assets at a subsidiary, net income attributable to owners of the parent declined YoY due to higher income taxes. The annual dividend was JPY84.0/share (payout ratio of 39.4%).

The company forecast for FY02/23 calls for sales of JPY310.0bn (-2.4% YoY), operating profit of JPY17.0bn (+8.1% YoY), recurring profit of JPY17.0bn (+7.7% YoY), net income attributable to owners of the parent of JPY10.7bn (+0.3%), EPS of JPY213.9, and annual dividends per share of JPY85.0 (payout ratio of 39.7%). The expected YoY decline in sales is due to the application from FY02/23 of the new Accounting Standard for Revenue Recognition. The company's sales forecast equates to a 9.3% YoY increase in sales under the previous accounting standard. The company expects COVID-19 to have a JPY800mn negative effective on operating profit. Even so, the company forecasts YoY increases in operating profit and all accounting line items below that point due to higher sales and efforts to reduce costs.

The company released its Aeon Delight Vision 2025 plan. This aims to make Aeon Delight a company that creates environmental value and contributes to solving social issues, with a three-pronged growth strategy in Asia that addresses safety and security, manpower shortage, and the environment. The company targets sales of JPY471.0bn, operating profit of JPY37.0bn, and ROE of 15% in FY02/26.

In April 2021, the company formulated a medium-term plan covering the next three years (FY02/22–FY02/24) as it moves toward achieving the goals of Aeon Delight Vision 2025. The medium-term plan targets FY02/24 sales of JPY361.0bn (CAGR of 6.4%), operating profit of JPY22.0bn (CAGR of 13.0%), and net income attributable to owners of the parent of JPY14.0bn. By FY02/24, the company aims to increase sales within the Aeon group by JPY25.0bn versus FY02/21 to JPY220.0bn (60% of total sales, -5pp versus FY02/21), while growing sales outside the Aeon group by JPY35.0bn to JPY140.0bn (40% of total sales, +5pp versus FY02/21) and raising OPM to 6.0% (+0.9pp versus FY02/21). The company intends to raise the dividend payout ratio to the 40% level by FY02/24.

Strengths and weaknesses

Shared Research believes the company's strengths are 1) strong ties with the Aeon group, 2) industry leader in facilities management, and 3) the ability to generate stable cash flows. Weaknesses include its 1) limited organic growth, 2) heavy dependence on the Aeon group, and 3) mature property management market (see Strengths and weaknesses section for details).

Key financial indicators

Income statement	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
(JPYmn)	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Est.**
Sales	**248,876**	**256,654**	**265,572**	**277,926**	**292,607**	**292,396**	**302,915**	**308,582**	**300,085**	**317,657**	**310,000**
YoY	13.2%	3.1%	3.5%	4.7%	5.3%	-0.1%	3.6%	1.9%	-2.8%	5.9%	-2.4%
Gross profit	30,227	33,245	34,290	34,836	35,736	34,871	35,452	38,570	37,175	39,498	
YoY	5.6%	10.0%	3.1%	1.6%	2.6%	-2.4%	1.7%	8.8%	-3.6%	6.2%	
Gross profit margin	12.1%	13.0%	12.9%	12.5%	12.2%	11.9%	11.7%	12.5%	12.4%	12.4%	
Operating profit	13,901	14,622	15,390	14,556	14,139	12,909	13,030	16,001	15,230	15,733	17,000
YoY	1.0%	5.2%	5.3%	-5.4%	-2.9%	-8.7%	0.9%	22.8%	-4.8%	3.3%	8.1%
Operating profit margin	5.6%	5.7%	5.8%	5.2%	4.8%	4.4%	4.3%	5.2%	5.1%	5.0%	5.5%
Recurring profit	13,892	14,600	15,472	14,534	14,263	13,381	13,362	15,949	15,268	15,789	17,000
YoY	0.8%	5.1%	6.0%	-6.1%	-1.9%	-6.2%	-0.1%	19.4%	-4.3%	3.4%	7.7%
Recurring profit margin	5.6%	5.7%	5.8%	5.2%	4.9%	4.6%	4.4%	5.2%	5.1%	5.0%	5.5%
Net income	**7,509**	**7,039**	**7,965**	**7,247**	**7,093**	**6,397**	**6,415**	**9,348**	**11,680**	**10,665**	**10,700**
YoY	8.6%	-6.3%	13.2%	-9.0%	-2.1%	-9.8%	0.3%	45.7%	24.9%	-8.7%	0.3%
Net margin	3.0%	2.7%	3.0%	2.6%	2.4%	2.2%	2.1%	3.0%	3.9%	3.4%	3.5%
Per-share data											
Shares issued (year-end; '000)	54,170	54,170	54,170	54,170	54,170	54,170	54,170	54,170	54,170	54,170	
EPS	143.2	134.2	151.7	138.0	135.0	121.7	122.9	187.2	233.7	213.3	213.9
EPS (fully diluted)	142.7	133.8	151.3	137.6	134.6	121.3	122.6	186.9	233.5	213.1	
Dividend per share	46	48	50	52	55	61	63	65	82	84	85
Book value per share	1,202	1,303	1,400	1,471	1,559	1,637	1,466	1,579	1,747	1,891	
Balance sheet (JPYmn)											
Cash and cash equivalents	10,014	12,565	15,580	20,386	31,717	39,536	44,233	62,355	59,773	68,282	
Total current assets	**79,323**	**89,914**	**103,634**	**104,190**	**111,098**	**118,311**	**108,771**	**112,362**	**110,008**	**121,013**	
Tangible fixed assets	3,796	4,258	4,361	7,061	9,064	10,041	10,161	9,671	9,481	7,080	
Investments and other assets	5,257	5,829	6,268	8,176	8,904	8,512	7,578	7,698	11,557	9,111	
Intangible assets	12,321	11,008	10,320	10,006	8,802	7,813	8,103	7,185	5,518	5,653	
Total assets	**100,699**	**111,010**	**124,584**	**129,434**	**137,870**	**144,678**	**134,614**	**136,917**	**136,565**	**142,859**	
Accounts payable	24,544	21,876	24,934	28,457	25,114	25,820	25,967	23,388	22,170	22,070	
Short-term debt	10	5	-	-	271	225	394	252	299	247	
Total current liabilities	**34,955**	**39,309**	**46,639**	**45,834**	**47,051**	**49,060**	**51,408**	**48,864**	**44,123**	**43,892**	
Long-term debt	5	-	-	-	293	-	15	11	-	-	
Total fixed liabilities	**1,195**	**1,556**	**2,387**	**3,925**	**6,214**	**6,474**	**7,667**	**6,767**	**4,160**	**3,544**	
Total liabilities	**36,151**	**40,865**	**49,026**	**49,760**	**53,266**	**55,535**	**59,075**	**55,631**	**48,283**	**47,437**	
Total net assets	**64,547**	**70,145**	**75,558**	**79,674**	**84,604**	**89,143**	**75,539**	**81,286**	**88,281**	**95,421**	
Cash flow statement(JPYmn)											
Cash flows from operating activities	-4,358	21,359	17,234	10,303	11,703	13,568	12,373	7,371	10,403	12,598	
Cash flows from investing activities	7,086	-16,632	-11,365	-3,255	2,233	-2,666	12,256	13,838	-7,325	-386	
Cash flows from financing activities	-2,257	-2,475	-2,594	-2,821	-2,400	-3,264	-19,686	-3,392	-5,324	-4,572	
Financial ratios											
Total interest-bearing debt	15	5	-	-	564	225	409	263	299	247	
Net cash	28,019	44,980	56,906	57,748	62,866	71,311	59,824	62,092	59,474	68,035	
ROA (RP-based)	14.4%	13.8%	13.1%	11.4%	10.7%	9.5%	9.6%	11.7%	11.2%	11.3%	
ROE	12.5%	10.7%	11.2%	9.6%	8.9%	7.6%	8.1%	12.3%	14.1%	11.7%	
Equity ratio	62.6%	61.6%	59.0%	59.7%	59.4%	59.5%	54.4%	57.6%	64.0%	66.2%	

Source: Shared Research based on company data

Note: From FY02/23, the company has adopted the new Accounting Standard for Revenue Recognition, which will affect the way sales are recorded. Operating profit and line items below are not affected.

Recent updates

Plans for stock grants to employees via employee shareholding association

2022-12-26

Aeon Delight Co., Ltd. announced plans to make stock grants to employees via its employee shareholding association.

In commemoration of the 50-year anniversary of the company's founding, Aeon Delight decided to make stock grants to its employees and the employees of its domestic subsidiaries via its employee shareholding association (hereinafter, the program).

Purpose of the program

On the 50-year anniversary of its founding, the company is looking to increase the awareness of all employees of the importance of their individual contributions to the running of its business by offering them the opportunity to acquire shares in the company.

This follows the share buybacks the company has been engaged in since October 2022 as a way of making additional returns to shareholders. With employees being an important stakeholder in the company, the program offering each an opportunity to acquire the company's stock is aimed at boosting employee loyalty and commitment to growing earnings going forward.

Employee share grants under the program

In commemoration of the 50-year anniversary of its founding, the company plans an incentive award in the form of 30 shares of its common stock to members of its employee shareholding association, described below. The stock grant will be included in the company's budget for FY2023.

- Name: Aeon Delight Employee Stockholding Association
- Address: 1-1-1 Kandanishiki-cho, Chiyoda-ku, Tokyo
- Association chairman: Shigeki Higashi
- Number of Aeon Delight shares held: 527,000 (as of August 31, 2022)
- Ownership stake in Aeon Delight: 1.05% (of shares outstanding)

Aeon Delight awarded Excellent Facility Management Award

2022-12-15

Aeon Delight Co., Ltd. announced that it had been named as the recipient of Excellent Facility Management Award at the 17th Japan Facility Management Awards.

Sponsored by the Japan Facility Management Association, the award is made to companies and organizations in recognition of excellence in facility management. In its naming of Aeon Delight as the recipient of Excellent Facility Management Award, the association cited in particular the DX-inspired layout of the new head office building into which the company had moved in August 2021.

Release of Aeon Delight Integrated Report 2022

2022-11-04

On November 2, 2022, Aeon Delight Co., Ltd. announced the release of Aeon Delight Integrated Report 2022.

The report provides information on the progress of the company's medium-term plan for 2021–2023, the history of the company on its 50th anniversary, and the results of scenario analysis per recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).

Aeon Delight Integrated Report 2022 can be viewed here (Japanese only).

Trends and outlook

Quarterly trends and results

Quarterly results (after application of the Accounting Standard for Revenue Recognition)

Cumulative	FY02/21 (previous accounting standards)				FY02/22 (new accounting standards)				FY02/23 (new accounting standards)				FY02/23	
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of Est.	FY Est.
Sales	73,532	149,734	224,398	300,085	71,146	146,580	215,261		71,786	147,660	226,833		73.2%	310,000
YoY	-7.0%	-4.9%	-3.5%	-2.8%	-	-	-		0.9%	0.7%	5.4%			-2.4%
Gross profit	8,963	18,239	27,561	37,175	9,765	20,462	29,832		9,745	19,606	30,291			
YoY	-6.9%	-7.7%	-5.0%	-3.6%	8.9%	12.2%	8.2%		-0.2%	-4.2%	1.5%			
Gross profit margin	12.2%	12.2%	12.3%	12.4%	13.7%	14.0%	13.9%		13.6%	13.3%	13.4%			
SG&A expenses	5,507	10,738	16,347	21,945	6,036	12,035	17,979		6,462	13,004	19,473			
YoY	-5.6%	-3.9%	-3.3%	-2.8%	9.6%	12.1%	10.0%		7.1%	8.1%	8.3%			
SG&A ratio	7.5%	7.2%	7.3%	7.3%	8.5%	8.2%	8.4%		9.0%	8.8%	8.6%			
Operating profit	3,455	7,500	11,214	15,230	3,728	8,427	11,852		3,282	6,602	10,818		63.6%	17,000
YoY	-9.1%	-12.7%	-7.4%	-4.8%	7.9%	12.4%	5.7%		-12.0%	-21.7%	-8.7%			8.1%
Operating profit margin	4.7%	5.0%	5.0%	5.1%	5.2%	5.7%	5.5%		4.6%	4.5%	4.8%			5.5%
Recurring profit	3,459	7,496	11,245	15,268	3,751	8,489	11,943		3,300	6,602	11,001		64.7%	17,000
YoY	-9.5%	-13.4%	-7.7%	-4.3%	8.4%	13.2%	6.2%		-12.0%	-22.2%	-7.9%			7.7%
Recurring profit margin	4.7%	5.0%	5.0%	5.1%	5.3%	5.8%	5.5%		4.6%	4.5%	4.8%			5.5%
Net income	2,991	3,943	6,326	11,680	2,507	5,557	8,495		2,246	4,336	7,163		66.9%	10,700
YoY	44.5%	-23.9%	-14.2%	24.9%	-16.2%	40.9%	34.3%		-10.4%	-22.0%	-15.7%			0.3%
Net margin	4.1%	2.6%	2.8%	3.9%	3.5%	3.8%	3.9%		3.1%	2.9%	3.2%			3.5%
Quarterly	FY02/21 (previous accounting standards)				FY02/22 (new accounting standards)				FY02/23 (new accounting standards)					
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	73,532	76,202	74,664	75,687	71,146	75,434	68,681		71,786	75,874	79,173			
YoY	-7.0%	-2.8%	-0.7%	-0.3%	-	-1.0%	-8.0%		0.9%	0.6%	15.3%			
Gross profit	8,963	9,276	9,322	9,614	9,765	10,697	9,370		9,745	9,861	10,685			
YoY	-6.9%	-8.4%	0.8%	0.6%	8.9%	15.3%	0.5%		-0.2%	-7.8%	14.0%			
Gross profit margin	12.2%	12.2%	12.5%	12.7%	13.7%	14.2%	13.6%		13.6%	13.0%	13.5%			
SG&A expenses	5,507	5,231	5,609	5,598	6,036	5,999	5,944		6,462	6,542	6,469			
YoY	-5.6%	-2.0%	-2.3%	-1.1%	9.6%	14.7%	6.0%		7.1%	9.1%	8.8%			
SG&A ratio	7.5%	6.9%	7.5%	7.4%	8.5%	8.0%	8.7%		9.0%	8.6%	8.2%			
Operating profit	3,455	4,045	3,714	4,016	3,728	4,699	3,425		3,282	3,320	4,216			
YoY	-9.1%	-15.6%	5.8%	3.1%	7.9%	16.2%	-7.8%		-12.0%	-29.3%	23.1%			
Operating profit margin	4.7%	5.3%	5.0%	5.3%	5.2%	6.2%	5.0%		4.6%	4.4%	5.3%			
Recurring profit	3,459	4,037	3,749	4,023	3,751	4,738	3,454		3,300	3,302	4,399			
YoY	-9.5%	-16.5%	6.1%	7.0%	8.4%	17.4%	-7.9%		-12.0%	-30.3%	27.4%			
Recurring profit margin	4.7%	5.3%	5.0%	5.3%	5.3%	6.3%	5.0%		4.6%	4.4%	5.6%			
Net income	2,991	952	2,383	5,354	2,507	3,050	2,938		2,246	2,090	2,827			
YoY	44.5%	-69.4%	8.9%	170.5%	-16.2%	220.4%	23.3%		-10.4%	-31.5%	-3.8%			
Net margin	4.1%	1.2%	3.2%	7.1%	3.5%	4.0%	4.3%		3.1%	2.8%	3.6%			

Source: Shared Research based on company data

Notes: The company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from FY02/23.

YoY comparison for FY02/23 sales (based on the new accounting standards) was made against FY02/22 results retroactively adjusted to reflect the new accounting standards.

(Reference) Quarterly results (previous accounting standards)

Cumulative(reference)	FY02/21 (previous accounting standards)				FY02/22 (previous accounting standards)				FY02/23 (previous accounting standards)				FY02/23	
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of Est.	FY Est.
Sales	73,532	149,734	224,398	300,085	79,688	163,907	240,715	317,657	80,183	165,312	253,020			
YoY	-7.0%	-4.9%	-3.5%	-2.8%	8.4%	9.5%	7.3%	5.9%	0.6%	0.9%	5.1%			
Gross profit	8,963	18,239	27,561	37,175	9,765	20,462	29,832	39,498	9,745	19,606	30,291			
YoY	-6.9%	-7.7%	-5.0%	-3.6%	8.9%	12.2%	8.2%	6.2%	-0.2%	-4.2%	1.5%			
Gross profit margin	12.2%	12.2%	12.3%	12.4%	12.3%	12.5%	12.4%	12.4%	12.2%	11.9%	12.0%			
SG&A expenses	5,507	10,738	16,347	21,945	6,036	12,035	17,979	23,764	6,462	13,004	19,473			
YoY	-5.6%	-3.9%	-3.3%	-2.8%	9.6%	12.1%	10.0%	8.3%	7.1%	8.1%	8.3%			
SG&A ratio	7.5%	7.2%	7.3%	7.3%	7.6%	7.3%	7.5%	7.5%	8.1%	7.9%	7.7%			
Operating profit	3,455	7,500	11,214	15,230	3,728	8,427	11,852	15,733	3,282	6,602	10,818		63.6%	17,000
YoY	-9.1%	-12.7%	-7.4%	-4.8%	7.9%	12.4%	5.7%	3.3%	-12.0%	-21.7%	-8.7%			8.1%
Operating profit margin	4.7%	5.0%	5.0%	5.1%	4.7%	5.1%	4.9%	5.0%	4.1%	4.0%	4.3%			-
Recurring profit	3,459	7,496	11,245	15,268	3,751	8,489	11,943	15,789	3,300	6,602	11,001		64.7%	17,000
YoY	-9.5%	-13.4%	-7.7%	-4.3%	8.4%	13.2%	6.2%	3.4%	-12.0%	-22.2%	-7.9%			7.7%
Recurring profit margin	4.7%	5.0%	5.0%	5.1%	4.7%	5.2%	5.0%	5.0%	4.1%	4.0%	4.3%			-
Net income	2,991	3,943	6,326	11,680	2,507	5,557	8,495	10,665	2,246	4,336	7,163		66.9%	10,700
YoY	44.5%	-23.9%	-14.2%	24.9%	-16.2%	40.9%	34.3%	-8.7%	-10.4%	-22.0%	-15.7%			0.3%
Net margin	4.1%	2.6%	2.8%	3.9%	3.1%	3.4%	3.5%	3.4%	2.8%	2.6%	2.8%			-
Quarterly(reference)	**FY02/21 (previous accounting standards)**				**FY02/22 (previous accounting standards)**				**FY02/23 (previous accounting standards)**					
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**		
Sales	73,532	76,202	74,664	75,687	79,688	84,219	76,808	76,942	80,183	85,129	87,708			
YoY	-7.0%	-2.8%	-0.7%	-0.3%	8.4%	10.5%	2.9%	1.7%	0.6%	1.1%	14.2%			
Gross profit	8,963	9,276	9,322	9,614	9,765	10,697	9,370	9,666	9,745	9,861	10,685			
YoY	-6.9%	-8.4%	0.8%	0.6%	8.9%	15.3%	0.5%	0.5%	-0.2%	-7.8%	14.0%			
Gross profit margin	12.2%	12.2%	12.5%	12.7%	12.3%	12.7%	12.2%	12.6%	12.2%	11.6%	12.2%			
SG&A expenses	5,507	5,231	5,609	5,598	6,036	5,999	5,944	5,785	6,462	6,542	6,469			
YoY	-5.6%	-2.0%	-2.3%	-1.1%	9.6%	14.7%	6.0%	3.3%	7.1%	9.1%	8.8%			
SG&A ratio	7.5%	6.9%	7.5%	7.4%	7.6%	7.1%	7.7%	7.5%	8.1%	7.7%	7.4%			
Operating profit	3,455	4,045	3,714	4,016	3,728	4,699	3,425	3,881	3,282	3,320	4,216			
YoY	-9.1%	-15.6%	5.8%	3.1%	7.9%	16.2%	-7.8%	-3.4%	-12.0%	-29.3%	23.1%			
Operating profit margin	4.7%	5.3%	5.0%	5.3%	4.7%	5.6%	4.5%	5.0%	4.1%	3.9%	4.8%			
Recurring profit	3,459	4,037	3,749	4,023	3,751	4,738	3,454	3,846	3,300	3,302	4,399			
YoY	-9.5%	-16.5%	6.1%	7.0%	8.4%	17.4%	-7.9%	-4.4%	-12.0%	-30.3%	27.4%			
Recurring profit margin	4.7%	5.3%	5.0%	5.3%	4.7%	5.6%	4.5%	5.0%	4.1%	3.9%	5.0%			
Net income	2,991	952	2,383	5,354	2,507	3,050	2,938	2,170	2,246	2,090	2,827			
YoY	44.5%	-69.4%	8.9%	170.5%	-16.2%	220.4%	23.3%	-59.5%	-10.4%	-31.5%	-3.8%			
Net margin	4.1%	1.2%	3.2%	7.1%	3.1%	3.6%	3.8%	2.8%	2.8%	2.5%	3.2%			

Source: Shared Research based on company materials

Note: The company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from FY02/23, but above table shows FY02/23 sales based on the previous accounting standards.

Quarterly results by segment (after adoption of the Accounting Standard for Revenue Recognition)

Segment performance	FY02/21 (previous accounting standards)				FY02/22 (new accounting standards)				FY02/23 (new accounting standards)			
Cumulative (JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Sales	73,532	149,734	224,398	300,085	71,146	146,580	215,261		71,786	147,660	226,833	
YoY	-7.0%	-4.9%	-3.5%	-2.8%	-	-			0.9%	0.7%	5.4%	
Facilities Management	14,511	29,086	43,831	58,223	15,511	31,011	46,492		16,131	32,251	49,003	
YoY	-2.8%	-1.8%	-1.0%	-0.1%	-	-	-		4.0%	4.0%	5.4%	
Security Services	10,843	21,695	32,966	44,393	11,638	23,645	35,422		11,934	24,124	36,909	
YoY	-2.7%	-2.2%	-1.0%	-0.6%	7.3%	9.0%	7.5%		2.5%	2.0%	4.2%	
Cleaning Services	15,008	30,427	46,085	62,459	16,568	34,106	50,470		16,576	33,769	51,130	
YoY	-2.6%	-1.6%	-0.9%	0.2%	10.4%	12.1%	9.5%		0.0%	-1.0%	1.3%	
Construction Work	11,523	22,120	31,026	40,657	11,205	24,776	33,697		10,282	23,350	38,207	
YoY	-4.1%	-4.3%	-3.1%	-2.8%	-2.8%	12.0%	8.6%		-8.2%	-5.8%	13.4%	
Materials and Supplies Sourcing	12,957	26,609	39,646	53,060	9,908	20,222	30,150		10,205	20,465	30,994	
YoY	-0.2%	2.7%	2.8%	3.8%	-	-	-		3.0%	1.2%	2.8%	
Vending Machine Services	4,725	12,054	19,057	25,453	2,201	4,766	6,952		2,199	4,780	7,084	
YoY	-38.6%	-25.0%	-19.8%	-19.3%	-	-	-		-0.1%	0.3%	1.9%	
Support Services	3,963	7,739	11,784	15,837	4,113	8,055	12,090		4,456	8,918	13,503	
YoY	-18.7%	-19.8%	-17.1%	-15.6%	3.8%	4.1%	2.6%		8.3%	10.7%	11.7%	
Operating profit	5,417	7,500	11,214	15,230	3,728	8,427	11,852		3,282	6,602	10,818	
YoY	42.6%	-12.7%	-7.4%	-4.8%	-31.2%	12.4%	5.7%		-12.0%	-21.7%	-8.7%	
Operating profit margin	7.4%	5.0%	5.0%	5.1%	5.2%	5.7%	5.5%		4.6%	4.5%	4.8%	
Facilities Management	1,256	2,549	3,916	5,175	1,275	2,622	4,038		1,372	2,825	4,269	
YoY	-12.4%	-8.6%	-3.0%	-2.2%	1.5%	2.9%	3.1%		7.6%	7.7%	5.7%	
Operating profit margin	8.7%	8.8%	8.9%	8.9%	8.2%	8.5%	8.7%		8.5%	8.8%	8.7%	
Security Services	763	1,594	2,387	3,307	796	1,702	2,596		733	1,443	2,307	
YoY	4.5%	12.9%	8.2%	8.9%	4.3%	6.8%	8.8%		-7.9%	-15.2%	-11.1%	
Operating profit margin	7.0%	7.3%	7.2%	7.4%	6.8%	7.2%	7.3%		6.1%	6.0%	6.3%	
Cleaning Services	1,646	3,430	5,340	7,324	1,974	4,276	6,172		1,681	3,328	5,036	
YoY	-4.5%	-2.3%	0.9%	5.1%	19.9%	24.7%	15.6%		-14.8%	-22.2%	-18.4%	
Operating profit margin	11.0%	11.3%	11.6%	11.7%	11.9%	12.5%	12.2%		10.1%	9.9%	9.8%	
Construction Work	1,139	2,081	2,879	3,880	1,067	2,250	2,861		694	1,405	2,714	
YoY	4.1%	-4.3%	1.3%	1.7%	-6.3%	8.1%	-0.6%		-35.0%	-37.6%	-5.1%	
Operating profit margin	9.9%	9.4%	9.3%	9.5%	9.5%	9.1%	8.5%		6.7%	6.0%	7.1%	
Materials and Supplies Sourcing	612	1,284	1,851	2,467	656	1,362	1,932		615	994	1,455	
YoY	-14.0%	-5.2%	-4.9%	-0.9%	7.2%	6.1%	4.4%		-6.3%	-27.0%	-24.7%	
Operating profit margin	4.7%	4.8%	4.7%	4.6%	6.6%	6.7%	6.4%		6.0%	4.9%	4.7%	
Vending Machine Services	-10	357	563	653	116	353	414		208	556	791	
YoY	-	-49.4%	-40.6%	-53.2%	-	-1.1%	-26.5%		79.3%	57.5%	91.1%	
Operating profit margin	-0.2%	3.0%	3.0%	2.6%	5.3%	7.4%	6.0%		9.5%	11.6%	11.2%	
Support Services	8	-100	-171	-75	119	255	330		162	279	419	
YoY	-	-	-	-	-	-	-		36.1%	9.4%	27.0%	
Operating profit margin	0.2%	-1.3%	-1.5%	-0.5%	2.9%	3.2%	2.7%		3.6%	3.1%	3.1%	
Eliminations, goodwill, other	-1,959	-3,695	-5,551	-7,502	-2,277	-4,394	-6,491		-2,183	-4,228	-6,173	
Segment performance	**FY02/21 (previous accounting standards)**				**FY02/22 (new accounting standards)**				**FY02/23 (new accounting standards)**			

Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	73,532	76,202	74,664	75,687	71,146	75,434	68,681		71,786	75,874	79,173	
YoY	-7.0%	-2.8%	-0.7%	-0.3%	-	-1.0%	-8.0%		0.9%	0.6%	15.3%	
Facilities Management	14,511	14,575	14,745	14,392	15,511	15,500	15,482		16,131	16,120	16,752	
YoY	-2.8%	-0.9%	0.8%	2.6%	-	-	-		4.0%	4.0%	8.2%	
Security Services	10,843	10,852	11,271	11,427	11,638	12,007	11,777		11,934	12,190	12,785	
YoY	-2.7%	-1.7%	1.3%	0.7%	7.3%	10.6%	4.5%		2.5%	1.5%	8.6%	
Cleaning Services	15,008	15,419	15,658	16,374	16,568	17,538	16,364		16,576	17,193	17,361	
YoY	-2.6%	-0.7%	0.4%	3.4%	10.4%	13.7%	4.5%		0.0%	-2.0%	6.1%	
Construction Work	11,523	10,597	8,906	9,631	11,205	13,571	8,921		10,282	13,068	14,857	
YoY	-4.1%	-4.4%	-0.2%	-1.9%	-2.8%	28.1%	0.2%		-8.2%	-3.7%	66.5%	
Materials and Supplies Sourcing	12,957	13,652	13,037	13,414	9,908	10,314	9,927		10,205	10,260	10,529	
YoY	-0.2%	5.6%	3.1%	6.7%	-	-	-		3.0%	-0.5%	6.1%	
Vending Machine Services	4,725	7,329	7,003	6,396	2,201	2,565	2,186		2,199	2,581	2,304	
YoY	-38.6%	-12.5%	-8.9%	-17.8%	-	-	-		-0.1%	0.6%	5.4%	
Support Services	3,963	3,776	4,045	4,053	4,113	3,942	4,035		4,456	4,462	4,585	
YoY	-18.7%	-20.9%	-11.4%	-11.1%	3.8%	4.4%	-0.2%		8.3%	13.2%	13.6%	
Operating profit	5,417	2,083	3,714	4,016	3,728	4,699	3,425		3,282	3,320	4,216	
YoY	42.6%	-56.5%	5.8%	3.1%	-31.2%	125.6%	-7.8%		-12.0%	-29.3%	23.1%	
Operating profit margin	7.4%	2.7%	5.0%	5.3%	5.2%	6.2%	5.0%		4.6%	4.4%	5.3%	
Facilities Management	1,256	1,293	1,367	1,259	1,275	1,347	1,416		1,372	1,453	1,444	
YoY	-12.4%	-4.6%	9.4%	0.4%	1.5%	4.2%	3.6%		7.6%	7.9%	2.0%	
Operating profit margin	8.7%	8.9%	9.3%	8.7%	8.2%	8.7%	9.1%		8.5%	9.0%	8.6%	
Security Services	763	831	793	920	796	906	894		733	710	864	
YoY	4.5%	21.8%	-0.3%	10.7%	4.3%	9.0%	12.7%		-7.9%	-21.6%	-3.4%	
Operating profit margin	7.0%	7.7%	7.0%	8.1%	6.8%	7.5%	7.6%		6.1%	5.8%	6.8%	
Cleaning Services	1,646	1,784	1,910	1,984	1,974	2,302	1,896		1,681	1,647	1,708	
YoY	-4.5%	-0.1%	7.2%	18.4%	19.9%	29.0%	-0.7%		-14.8%	-28.5%	-9.9%	
Operating profit margin	11.0%	11.6%	12.2%	12.1%	11.9%	13.1%	11.6%		10.1%	9.6%	9.8%	
Construction Work	1,139	942	798	1,001	1,067	1,183	611		694	711	1,309	
YoY	4.1%	-12.8%	19.3%	2.9%	-6.3%	25.6%	-23.4%		-35.0%	-39.9%	114.2%	
Operating profit margin	9.9%	8.9%	9.0%	10.4%	9.5%	8.7%	6.8%		6.7%	5.4%	8.8%	
Materials and Supplies Sourcing	612	672	567	616	656	706	570		615	379	461	
YoY	-14.0%	4.5%	-4.1%	13.4%	7.2%	5.1%	0.5%		-6.3%	-46.3%	-19.1%	
Operating profit margin	4.7%	4.9%	4.3%	4.6%	6.6%	6.8%	5.7%		6.0%	3.7%	4.4%	
Vending Machine Services	-10	367	206	90	116	237	61		208	348	235	
YoY	-	-18.3%	-15.2%	-79.9%	-	-35.4%	-70.4%		79.3%	46.8%	285.2%	
Operating profit margin	-0.2%	5.0%	2.9%	1.4%	5.3%	9.2%	2.8%		9.5%	13.5%	10.2%	
Support Services	8	-108	-71	96	119	136	75		162	117	140	
YoY	-	-	-	-	-	-	-		36.1%	-14.0%	86.7%	
Operating profit margin	0.2%	-2.9%	-1.8%	2.4%	2.9%	3.5%	1.9%		3.6%	2.6%	3.1%	
Eliminations, goodwill, other					-2,277	-2,118	-2,098		-2,183	-2,045	-1,945	

Source: Shared Research based on company data

Notes: The company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from FY02/23.

Consolidated, Facilities Management, Materials and Supplies Sourcing Services, and Vending Machine Services sales for FY02/22 were retroactively adjusted to reflect the new accounting standards.

(Reference) Quarterly results by segment (previous accounting standards)

Segment performance(reference)	FY02/21 (previous accounting standards)				FY02/22 (previous accounting standards)				FY02/23 (previous accounting standards)			
Cumulative (JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Sales	73,532	149,734	224,398	300,085	79,688	163,907	240,715	317,657	80,183	165,312	253,020	
YoY	-7.0%	-4.9%	-3.5%	-2.8%	8.4%	9.5%	7.3%	5.9%	0.6%	0.9%	5.1%	
Facilities Management	14,511	29,086	43,831	58,223	15,507	31,006	46,474	61,538	16,094	32,296	48,731	
YoY	-2.8%	-1.8%	-1.0%	-0.1%	6.9%	6.6%	6.0%	5.7%	3.8%	4.2%	4.9%	
Security Services	10,843	21,695	32,966	44,393	11,638	23,645	35,422	47,239	11,934	24,124	36,909	
YoY	-2.7%	-2.2%	-1.0%	-0.6%	7.3%	9.0%	7.5%	6.4%	2.5%	2.0%	4.2%	
Cleaning Services	15,008	30,427	46,085	62,459	16,568	34,106	50,470	66,963	16,576	33,769	51,130	
YoY	-2.6%	-1.6%	-0.9%	0.2%	10.4%	12.1%	9.5%	7.2%	0.0%	-1.0%	1.3%	
Construction Work	11,523	22,120	31,026	40,657	11,205	24,776	33,697	43,015	10,282	23,350	38,207	
YoY	-4.1%	-4.3%	-3.1%	-2.8%	-2.8%	12.0%	8.6%	5.8%	-8.2%	-5.8%	13.4%	
Materials and Supplies Sourcing	12,957	26,609	39,646	53,060	14,126	28,779	42,771	56,497	14,500	29,243	44,268	
YoY	-0.2%	2.7%	2.8%	3.8%	9.0%	8.2%	7.9%	6.5%	2.6%	1.6%	3.5%	
Vending Machine Services	4,725	12,054	19,057	25,453	6,529	13,535	19,789	26,353	6,338	13,608	20,269	
YoY	-38.6%	-25.0%	-19.8%	-19.3%	38.2%	12.3%	3.8%	3.5%	-2.9%	0.5%	2.4%	
Support Services	3,963	7,739	11,784	15,837	4,113	8,055	12,090	16,049	4,456	8,918	13,503	
YoY	-18.7%	-19.8%	-17.1%	-15.6%	3.8%	4.1%	2.6%	1.3%	8.3%	10.7%	11.7%	
Operating profit	3,455	7,500	11,214	15,230	3,728	8,427	11,852	15,733	3,282	6,602	10,818	
YoY	-9.1%	-12.7%	-7.4%	-4.8%	7.9%	12.4%	5.7%	3.3%	-12.0%	-21.7%	-8.7%	
Operating profit margin	4.7%	5.0%	5.0%	5.1%	4.7%	5.1%	4.9%	5.0%	4.1%	4.0%	4.3%	
Facilities Management	1,256	2,549	3,916	5,175	1,275	2,622	4,038	5,495	1,372	2,825	4,269	
YoY	-12.4%	-8.6%	-3.0%	-2.2%	1.5%	2.9%	3.1%	6.2%	7.6%	7.7%	5.7%	
Operating profit margin	8.7%	8.8%	8.9%	8.9%	8.2%	8.5%	8.7%	8.9%	8.5%	8.7%	8.8%	
Security Services	763	1,594	2,387	3,307	796	1,702	2,596	3,435	733	1,443	2,307	
YoY	4.5%	12.9%	8.2%	8.9%	4.3%	6.8%	8.8%	3.9%	-7.9%	-15.2%	-11.1%	
Operating profit margin	7.0%	7.3%	7.2%	7.4%	6.8%	7.2%	7.3%	7.3%	6.1%	6.0%	6.3%	
Cleaning Services	1,646	3,430	5,340	7,324	1,974	4,276	6,172	8,106	1,681	3,328	5,036	
YoY	-4.5%	-2.3%	0.9%	5.1%	19.9%	24.7%	15.6%	10.7%	-14.8%	-22.2%	-18.4%	
Operating profit margin	11.0%	11.3%	11.6%	11.7%	11.9%	12.5%	12.2%	12.1%	10.1%	9.9%	9.8%	
Construction Work	1,139	2,081	2,879	3,880	1,067	2,250	2,861	3,583	694	1,405	2,714	
YoY	4.1%	-4.3%	1.3%	1.7%	-6.3%	8.1%	-0.6%	-7.7%	-35.0%	-37.6%	-5.1%	
Operating profit margin	9.9%	9.4%	9.3%	9.5%	9.5%	9.1%	8.5%	8.3%	6.7%	6.0%	7.1%	
Materials and Supplies Sourcing	612	1,284	1,851	2,467	656	1,362	1,932	2,560	615	994	1,455	
YoY	-14.0%	-5.2%	-4.9%	-0.9%	7.2%	6.1%	4.4%	3.8%	-6.3%	-27.0%	-24.7%	
Operating profit margin	4.7%	4.8%	4.7%	4.6%	4.6%	4.7%	4.5%	4.5%	4.2%	3.4%	3.3%	
Vending Machine Services	-10	357	563	653	116	353	414	608	208	556	791	
YoY	-	-49.4%	-40.6%	-53.2%	-	-1.1%	-26.5%	-6.9%	79.3%	57.5%	91.1%	
Operating profit margin	-	3.0%	3.0%	2.6%	1.8%	2.6%	2.1%	2.3%	3.3%	4.1%	3.9%	
Support Services	8	-100	-171	-75	119	255	330	441	162	279	419	
YoY	-	-	-	-	-	-	-	-	36.1%	9.4%	27.0%	
Operating profit margin	0.2%	-	-	-	2.9%	3.2%	2.7%	2.7%	3.6%	3.1%	3.1%	
Eliminations, goodwill, other	-1,959	-3,695	-5,551	-7,502	-2,277	-4,394	-6,491	-8,497	-2,183	-4,228	-6,173	
Segment performance	FY02/21 (previous accounting standards)				FY02/22 (previous accounting standards)				FY02/23 (previous accounting standards)			

Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	73,532	76,202	74,664	75,687	79,688	84,219	76,808	76,942	80,183	85,129	87,708	
YoY	-7.0%	-2.8%	-0.7%	-0.3%	8.4%	10.5%	2.9%	1.7%	0.6%	1.1%	14.2%	
Facilities Management(previous accounting standards)	14,511	14,575	14,745	14,392	15,507	15,499	15,468	15,064	16,094	16,202	16,435	
YoY	-2.8%	-0.9%	0.8%	2.6%	6.9%	6.3%	4.9%	4.7%	3.8%	4.5%	6.3%	
Security Services	10,843	10,852	11,271	11,427	11,638	12,007	11,777	11,817	11,934	12,190	12,785	
YoY	-2.7%	-1.7%	1.3%	0.7%	7.3%	10.6%	4.5%	3.4%	2.5%	1.5%	8.6%	
Cleaning Services	15,008	15,419	15,658	16,374	16,568	17,538	16,364	16,493	16,576	17,193	17,361	
YoY	-2.6%	-0.7%	0.4%	3.4%	10.4%	13.7%	4.5%	0.7%	0.0%	-2.0%	6.1%	
Construction Work	11,523	10,597	8,906	9,631	11,205	13,571	8,921	9,318	10,282	13,068	14,857	
YoY	-4.1%	-4.4%	-0.2%	-1.9%	-2.8%	28.1%	0.2%	-3.2%	-8.2%	-3.7%	66.5%	
Materials and Supplies Sourcing(previous accounting standards)	12,957	13,652	13,037	13,414	14,126	14,653	13,992	13,726	14,500	14,743	15,025	
YoY	-0.2%	5.6%	3.1%	6.7%	9.0%	7.3%	7.3%	2.3%	2.6%	0.6%	7.4%	
Vending Machine Services(previous accounting standards)	4,725	7,329	7,003	6,396	6,529	7,006	6,254	6,564	6,338	7,270	6,661	
YoY	-38.6%	-12.5%	-8.9%	-17.8%	38.2%	-4.4%	-10.7%	2.6%	-2.9%	3.8%	6.5%	
Support Services	3,963	3,776	4,045	4,053	4,113	3,942	4,035	3,959	4,456	4,462	4,585	
YoY	-18.7%	-20.9%	-11.4%	-11.1%	3.8%	4.4%	-0.2%	-2.3%	8.3%	13.2%	13.6%	
Operating profit	3,455	4,045	3,714	4,016	3,728	4,699	3,425	3,881	3,282	3,320	4,216	
YoY	-9.1%	-15.6%	5.8%	3.1%	7.9%	16.2%	-7.8%	-3.4%	-12.0%	-29.3%	23.1%	
Operating profit margin	4.7%	5.3%	5.0%	5.3%	4.7%	5.6%	4.5%	5.0%	4.1%	3.9%	4.8%	
Facilities Management	1,256	1,293	1,367	1,259	1,275	1,347	1,416	1,457	1,372	1,453	1,444	
YoY	-12.4%	-4.6%	9.4%	0.4%	1.5%	4.2%	3.6%	15.7%	7.6%	7.9%	2.0%	
Operating profit margin	8.7%	8.9%	9.3%	8.7%	8.2%	8.7%	9.2%	9.7%	8.5%	9.0%	8.8%	
Security Services	763	831	793	920	796	906	894	839	733	710	864	
YoY	4.5%	21.8%	-0.3%	10.7%	4.3%	9.0%	12.7%	-8.8%	-7.9%	-21.6%	-3.4%	
Operating profit margin	7.0%	7.7%	7.0%	8.1%	6.8%	7.5%	7.6%	7.1%	6.1%	5.8%	6.8%	
Cleaning Services	1,646	1,784	1,910	1,984	1,974	2,302	1,896	1,934	1,681	1,647	1,708	
YoY	-4.5%	-0.1%	7.2%	18.4%	19.9%	29.0%	-0.7%	-2.5%	-14.8%	-28.5%	-9.9%	
Operating profit margin	11.0%	11.6%	12.2%	12.1%	11.9%	13.1%	11.6%	11.7%	10.1%	9.6%	9.8%	
Construction Work	1,139	942	798	1,001	1,067	1,183	611	722	694	711	1,309	
YoY	4.1%	-12.8%	19.3%	2.9%	-6.3%	25.6%	-23.4%	-27.9%	-35.0%	-39.9%	114.2%	
Operating profit margin	9.9%	8.9%	9.0%	10.4%	9.5%	8.7%	6.8%	7.7%	6.7%	5.4%	8.8%	
Materials and Supplies Sourcing	612	672	567	616	656	706	570	628	615	379	461	
YoY	-14.0%	4.5%	-4.1%	13.4%	7.2%	5.1%	0.5%	1.9%	-6.3%	-46.3%	-19.1%	
Operating profit margin	4.7%	4.9%	4.3%	4.6%	4.6%	4.8%	4.1%	4.6%	4.2%	2.6%	3.1%	
Vending Machine Services	-10	367	206	90	116	237	61	194	208	348	235	
YoY	-	-18.3%	-15.2%	-79.9%	-	-35.4%	-70.4%	115.6%	79.3%	46.8%	285.2%	
Operating profit margin	-0.2%	5.0%	2.9%	1.4%	1.8%	3.4%	1.0%	3.0%	3.3%	4.8%	3.5%	
Support Services	8	-108	-71	96	119	136	75	111	162	117	140	
YoY	-	-	-	-	-	-	-	15.6%	36.1%	-14.0%	86.7%	
Operating profit margin	0.2%	-2.9%	-1.8%	2.4%	2.9%	3.5%	1.9%	2.8%	3.6%	2.6%	3.1%	
Eliminations, goodwill, other	-1,959	-1,736	-1,856	-1,951	-2,277	-2,117	-2,097	-2,006	-2,183	-2,045	-1,945	

Cumulative Q3 FY02/23 results

- Sales: JPY226.8bn (+5.4% YoY, +5.1% YoY based on the previous accounting standard)
- Operating profit: JPY10.8bn (-8.7% YoY)
- Recurring profit: JPY11.0bn (-7.9% YoY)
- Net income attributable to owners of the parent: JPY7.2bn (-15.7% YoY)

The company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) effective Q1 FY02/23. As a result, revenue recognition standard was changed for some operations of the Facilities Management, Materials and Supplies Sourcing Services, and Vending Machine Services segments. The adoption of the new accounting standard reduced cumulative Q3 sales and cost of sales by JPY26.2bn each. Meanwhile, operating profit, recurring profit, and pre-tax profit increased JPY34mn each due to applying the new standard. The balance of retained earnings at the beginning of the fiscal year decreased JPY1.1bn.

YoY comparisons in this report have been calculated after retroactively applying the new accounting standard to FY02/22 results.

Sales

Sales were up 5.4% YoY. Sales increased in all seven segments due to an increase in the share of existing customer wallets on the back of strengthened account management and sales activities, an increase in newly contracted facilities, and lessened impact from the COVID-19 pandemic. In particular, from 2H FY02/23, Construction Work has been awarded an expanded number of contracts for various works, including restoration-related works following the March 2022 Fukushima earthquake, resulting in YoY sales growth.

Looking at the current industry environment, rising energy costs and other factors have prompted customers to reassess their outsourcing contractors as part of cost-cutting measures. Against this backdrop, the company is seeing an increase in the number of new contracts in the form of a switch from competitors in the same industry. This comes because the company is able to reduce total outsourcing costs through all-at-once outsourcing of its Facilities Management, Security Services, and Cleaning Services, thereby earning a reputation from customers for its operational quality.

Operating profit

Operating profit was JPY10.8bn (-8.7% YoY).

- Gross profit: Gross profit grew 1.5% YoY to JPY30.3bn, with the GPM down 0.5pp YoY to 13.4%. GPM declined in Cleaning Services, Security Services, and Materials and Supplies Sourcing Services. In Cleaning Services, GPM fell in cumulative Q3 FY02/23 in reaction to the elevated demand seen a year ago for relatively high-margin services, such as disinfectant cleaning for facilities that had been exposed to COVID-19. In Security Services, GPM declined as demand for security cameras (so-called surveillance cameras), which are high-margin products, declined. In Materials and Supplies Sourcing Services, a rise in procurement costs driven by soaring raw material and logistics costs depressed GPM.

- SG&A expenses: SG&A expenses were JPY19.5bn (+8.3% YoY), and the SG&A ratio was 8.6% (+0.2pp YoY). The rise in SG&A expenses was attributed to upfront expenditures including capital, personnel, and digitalization investments the company made as initially planned. In particular, the company has strengthened its investment in systems to promote area management (detailed below).

Net income attributable to owners of the parent

Net income attributable to owners of the parent fell due to a decline in operating profit. Non-operating income/expenses and extraordinary gains/losses had only a marginal impact on earnings.

Progress versus full-year company forecast

Versus the full-year FY02/23 company forecast, cumulative Q3 sales were 73.2% (75.8% of full-year results in cumulative Q3 FY02/22, based on the previous accounting standard), operating profit 63.6% (75.3%), recurring profit 64.7% (75.6%), and net income 66.9% (79.7%).

Sales were largely in line with plan, while profits somewhat lagged the plan. In Cleaning Services, orders for high-margin alcohol sanitizing and cleaning services were stagnant, while procurement costs rose in Materials and Supplies Sourcing Services. Although the company stepped up efforts to improve profitability in each of its businesses, there was an effect from COVID-19, the Russia—Ukraine crisis, and other external factors, which caused a decline in operating profit of JPY860mn.

Initiatives aimed at achieving full-year targets

The company aims to grow sales in all segments for the full year by strengthening proposal-based sales. At the same time, it will work to improve profitability.

- Energy saving proposals: The company will strengthen proposals highlighting energy-saving benefits in Construction Work. Specifically, it will make proposals that can contribute to reducing energy costs and environmental burden, including switching over to LED lighting and upgrading air conditioners, as well as the sale of non-CFC cases, for commercial facilities with high electricity demand, amid rising electricity and other energy costs due to soaring crude oil prices. Through these measures, the company aims to expand earnings. In particular, the company will strengthen its proposals to the Aeon group, which is stepping up investment in energy conservation, aiming to win projects and complete construction within FY02/23. The enhanced energy-saving proposals are expected to contribute to sales not only in FY02/23 but also in FY02/24 and beyond.

- Proposals to meet safety, security, and aesthetic demand: In Construction Work, the company will propose safety measures for facilities, such as the installation of U-shaped poles in parking lots of commercial facilities to prevent vehicles from crashing into stores. It will also make other proposals to enhance safety and security of facilities, aimed at preventing accidents and preparing them for a natural disaster.

- Minor repair projects: In Facility Management, Construction Work, and Cleaning Services, the company will step up efforts to make proposals for minute, detailed work (minor repairs, cleaning, etc.) necessary for facility maintenance and management. By focusing on making proposals related to energy savings, safety and security, compliance, and hygiene, the company aims to enhance the closing rate, or the probability of its proposals being accepted by customers. Minor repair work refers to irregular, small, detailed work for contracted facilities. While sales per project are small for the minor repair work compared with other contracted projects, many are highly profitable and orders are frequent, and hence are expected to contribute to earnings and profitability growth.

- Profitability improvement: In Facilities Management, Aeon Delight will promote labor saving by reducing the number of personnel assigned to customer facilities through area management, and in Security Services, the company will promote labor saving by systematizing entry/exit management and store closure operations. In Materials and Supplies Sourcing Services, it will continue negotiations to improve the efficiency of logistics costs and pass on rising costs to sales prices.

- Strengthening collaboration with domestic subsidiaries: Aeon Delight Connect Co., Ltd. (main customers are restaurant chains, convenience stores, and drug stores), Hakuseisha Co., Ltd. (department stores), and Kankyouseibi Co., Ltd. are the main subsidiaries in the building maintenance business. With energy costs rising, the subsidiaries are struggling with impacts from the external environment, such as major customers working to reduce costs by holding down outsourcing costs. Under these circumstances, the company's main management has strengthened its involvement in the management of these subsidiaries and is promoting initiatives to exert synergy effects by collaborating with them in sales and operations.

Main initiatives in FY02/23

Made a Chinese subsidiary an investment company

In October 2022, Aeon Delight made its Chinese subsidiary Aeon Delight (China), whose main line of business was facility management, an investment company, and renamed the subsidiary Aeon Delight (China) Investment Holdings Co., Ltd. The company also increased its stake in the subsidiary.

- Purpose: The company intends to acquire local facility management companies and new businesses that operate in various regions in China to expand its China business. Having made Aeon Delight (China) an investment company, the company can now invest in local companies operating in other industries, thereby further expanding the scope of its China operations. It also increased its stake in the subsidiary to actively carry out acquisitions.

- Outlook: The company targets FY02/25 sales of JPY60.0bn (versus JPY17.0bn in FY02/22) for its China business. Of the JPY60.0bn sales target, the company aims to generate JPY40.0bn through organic growth and JPY20.0bn from acquisitions. It intends to invest in local companies that have expertise and customer bases in the energy and environment-related field, parking lot and parking facility operations, and in fields other than facility management where the company has already developed a business in the country. It aims to grow sales through synergies generated through cross-selling while continuing to push forward with business diversification. Depending on the project, the company's headquarters in Japan may further increase its stake in Aeon Delight (China) Investment Holdings.

Collaboration with Kao Professional Services Co., Ltd.

In October 2022, the company announced the start of collaboration with Kao Professional Services Co., Ltd. to develop the new Infectious Disease Risk Assessment Service, with the aim of supporting companies and organizations in the prevention of infectious diseases.

- Kao Professional Services: A wholly owned subsidiary of Kao Corporation (TSE Prime: 4452), a major daily goods manufacturer in Japan. Kao Professional Services manufactures and sells products and provides consulting services for hygiene management for operators of restaurants, hospitals and long-term care facilities, and hotels.

- Collaboration overview: Kao Professional Services will utilize its knowledge of infection risk assessment developed through its hygiene management business. Aeon Delight will leverage its expertise and service development capabilities accumulated through providing cleaning solutions to customers. The two companies aim to develop a new service through which they assess hygiene risks and provide solutions based on behavioral analysis in various situations, including public spaces and living areas.

Share buyback and grant of shares to employees

- In October 2022, the company announced a share buyback. As of the end of December 2022, it had acquired 349,300 shares. The share buyback was in line with the company's goal of improving capital efficiency through implementing a flexible capital policy in response to changes in the business environment and enhancing shareholder returns.

    - Type of shares to be acquired: Common stock of the company
    - Total number of shares to be acquired: 1,500,000 shares (maximum; 3.00% of shares outstanding, excluding treasury stock)
    - Total value of shares to be acquired: JPY5.3bn (maximum)
    - Period of acquisition: October 5, 2022 to October 4, 2023

- Aeon Delight has decided to grant its shares to employees of the company and its domestic group companies through the employees stockholding association, with the aim of raising employees' awareness of participation in management. It aims to increase employees' commitment and loyalty toward the company's performance.

Quarterly results

- Q1 FY02/23: Sales were JPY71.8bn (+0.9% YoY), and operating profit was JPY3.3bn (-12.0% YoY). The decline in operating profit was attributed to an increase in SG&A expenses, as the company incurred upfront costs—including capital, personnel, and digitalization investments—as initially planned. By segment, sales grew in Facilities Management, Security Services, Cleaning Services, Materials and Supplies Sourcing Services, and Support Services. Operating profit increased in Facilities Management, Vending Machine Services, and Support Services.

- Q2 FY02/23: Sales amounted to JPY75.9bn (+0.6% YoY) while operating profit dipped 29.3% YoY to JPY3.3bn. The drop in operating profit was due to an increase in SG&A expenses as the company continued to incur upfront costs in the form of capital, personnel, and digitalization investments as it did in Q1. By segment, sales fell in Cleaning Services due to a falloff in demand for cleaning services using alcohol disinfectants, and sales were also down in Materials and Supplies Souring Services. Meanwhile, sales grew in Vending Machine Services owed to extreme heat. Operating profit rose in Facilities Management and Vending Machine Services. The rate of decline in operating profit widened in Security Services, Cleaning Services, and Construction Work due to sluggish demand for high-margin services. Operating profit also fell by a greater margin in Materials and Supplies Sourcing Services due to higher procurement costs.

- Q3 FY02/23: Sales were JPY79.2bn (+15.3% YoY) and operating profit was JPY4.2bn (+23.1% YoY). As in 1H FY02/23, SG&A expenses rose due to upfront investments. Still, operating profit grew YoY as sales growth offset higher SG&A expenses. Sales increased in all seven segments. Facilities Management and Vending Machine Services maintained an upward trend in profit. Construction Work and Support Services posted turned profitable on the back of significant growth in sales. Security Services, Cleaning Services, and Materials and Supplies Sourcing Services continued to see declines in profits, but the margin of decline narrowed.

Segment trends

In Q3 FY02/23, sales increased YoY in all seven segments. Operating profit grew in Facilities Management, Vending Machine Services, and Support Services, while it fell in Security Services, Cleaning Services, Construction Work, and Materials and Supplies Sourcing Services.

Facilities Management

- Sales grew 5.4% YoY to JPY49.0bn (+4.9% YoY based on the previous accounting standard), and operating profit increased 5.7% YoY to JPY4.3bn.

Sales and profit in the segment grew YoY due to an increased share of wallets, driven by growth in renewal contracts and in orders for various maintenance services. With the expansion of the customer base, sales and profit increased versus cumulative Q3 FY02/20, before the outbreak of COVID-19.

Aeon group stores as well as non-group (manufacturers, financial institutions) facilities contracted in FY02/22 contributed to the full-year sales. In addition, the company continued to win new contracts for Aeon group stores and non-group facilities in China in FY02/23. The company's share of existing customer wallets increased, in part due to its account management initiatives. Also contributing to the increased share of wallets were new contracts for retailers and manufacturers that operate multiple outlets, company stores, factories, and offices of corporate customers.

The facilities management industry is facing a shortage of legally qualified personnel. Aeon Delight is ahead of its competitors in securing such personnel, as the introduction of area management has enabled labor savings. Further, as the company operates nationwide, it is able to recruit legally qualified personnel from all over Japan. Against such background, the company has been receiving an increasing number of new contracts from customers who have switched from other companies.

In terms of profits, while costs are trending upward, the company worked to improve profitability by reducing the number of personnel assigned to customer facilities through area management and cutting outsourcing costs by reviewing, consolidating, and negotiating prices with facility inspectors.

Quarterly results

Sales were up 4.0% YoY in 1H and 8.2% YoY in Q3, showing signs of a recovery trend. New facilities contracted in FY02/22 and FY02/23 contributed to the increase. Operating profit increased 7.7% YoY in 1H and 2.0% YoY in Q3. The company attributed the weaker YoY growth in Q3 versus 1H to seasonality and changes in accounting standards, and maintains that profitability has not actually deteriorated.

Full-year outlook

Both sales and operating profit were in line with plan, and are expected to land in a range close to the company's initial forecast for FY02/23. In Q4, the company will continue to strengthen its sales efforts aimed at winning new contracts and its efforts to improve profitability.

Initiatives in Facilities Management

- Account management: Instead of communicating with customers on a business basis as in the past, the company now appoints account managers for key clients and centrally manages customer information across businesses. It was able to expand transaction volume by deepening account managers' understanding of customers and various industries, and made progress in improving customer satisfaction and referring customers to other segments. It is working to provide services across the segments in a single package (for example, Construction Work carries out an order associated with Facilities Management), and to provide the same services regardless of region to clients operating nationwide. These efforts have contributed to the company's increased share of wallets.

- Area management: In March 2021, Aeon Delight set up customer service centers at all eight branches in Japan and rolled out remote support systems for customer facilities. The company also installed security cameras and sensors at facilities under management to automate on-site management tasks and save labor. In addition to setting up such a system, the company adopted an area management strategy, which involves the sharing of facility management personnel in a given area with reference to customers' needs and attributes of each facility and region, and this led to cost reductions through labor savings and automation. The company first introduced the strategy primarily for Aeon Retail stores among the several thousand facilities under contract. As of end-Q3 FY02/23, 269 facilities (versus 178 at end-FY02/22) implemented the area management strategy, with facility management personnel down by 156 (115). The company plans to introduce area management at more than 360 Aeon group facilities by end-FY02/24. Following upfront investments, the company expects profitability to improve from FY02/24 as the number of facilities under area management grows.

Security Services

- Sales were up 4.2% YoY to JPY36.9bn, while operating profit fell 11.1% YoY to JPY2.3bn.

Sales increased YoY, driven by an increase in the number of customer companies as the company won new contracts for government buildings, commercial facilities, and condominiums among others in China. In Japan, lower orders of safety cameras for the Aeon group adversely affected sales. Meanwhile, newly contracted facilities, including new Aeon group stores and non-Aeon group facilities (automakers, hospitals, hotels, commercial complexes, and business centers of financial institutions), and facilities contracted in 2H FY02/22 contributed to sales growth. As in Facilities Management and Cleaning Services, the number of new contractors increased as a result of switching from other companies in the industry. The company captured a larger share of customer wallets and acquired new customers through reinforcing account management.

Operating profit fell YoY. Profitability deteriorated in cumulative Q3 due to lower orders of high-margin safety cameras in 1H. Aeon group is striving to cut costs amid the pandemic, and as one of its cost-cutting measures, it is refraining from replacing or installing additional security cameras. Under these circumstances, to improve profitability, the company continued negotiations to optimize unit prices and worked to automate systems to handle tasks such as facility entry/exit management and store opening/closing.

Sales and profit ware up versus cumulative Q3 FY02/20, before the outbreak of COVID-19, due to the expanding customer base.

Quarterly results

Sales were up 2.0% YoY in 1H and 8.6% YoY in Q3, showing stronger growth. Operating profit was down 15.2% YoY in 1H and 3.4% YoY in Q3. The YoY profit decline narrowed in Q3 versus 1H as Q3 orders of safety cameras showed signs of recovery following the deterioration in 1H.

Full-year outlook

Both sales and operating profit were somewhat below projections. The company will continue efforts to improve profitability.

Cleaning Services

- Sales were up 1.3% YoY to JPY51.1bn, while operating profit declined 18.4% YoY to JPY5.0bn.

Sales increased YoY. 1H FY02/22 saw a rise in demand for disinfectant cleaning, quarantine-related cleaning, and special cleaning services, which contributed to the increase in sales. Such demand declined in 1H FY02/23, but the segment saw growth in renewal contracts, particularly with commercial facilities and medical institutions. Operating profit declined YoY due to a decreased in demand for high-margin alcohol disinfectant cleaning services, upfront investments to improve overseas working conditions, and higher outsourcing and cleaning staff personnel expenses in Japan and overseas.

Sales from the Aeon group were sluggish in reaction to increased demand for special cleaning services a year ago, while sales from outside the group grew due to an upsurge in new contracts in China and Japan.

Versus cumulative Q3 FY02/20, before the outbreak of COVID-19, sales increased but profit decreased. Overseas investment to improve working environments decreased profit. The company expects profitability to improve as price pass-through progresses.

Quarterly results

In FY02/23, sales declined 1.0% YoY in 1H, but increased 6.1% YoY in Q3. Operating income declined 22.2% YoY in 1H and 9.9% YoY in Q3, narrowing the margin of decline. In 1H, sales and profit decreased in reaction to an increase in demand for alcohol disinfection and cleaning services 1H FY02/22, but the reaction diminished in Q3.

Full-year outlook

The company expects higher full-year sales YoY due to contributions from newly acquired facilities with recurring contracts in cumulative Q3. However, both sales and operating profit were slightly below projections. Aeon Delight will propose healthcare solutions outside the Aeon group (financial institutions, manufacturers, retail stores, hospitals, and other facilities), offering special cleaning services such as New Standard Cleaning, a cleaning method for maintaining a hygienic, attractive environment developed based on the company's proprietary cleaning services previously provided to hospitals. In addition, the company will strengthen account management for introduction to major companies and expand areas where it can win contracts.

Construction Work

- Sales rose 13.4% YoY to JPY38.2bn, and operating profit fell 5.1% YoY to JPY2.7bn.

Sales rose YoY. Although sales were negatively impacted by deferments and postponements of construction and delays in the procurement of materials and equipment, they grew as the company won orders for restoration-related work following the earthquake. Versus cumulative Q3 FY02/20, before the outbreak of COVID-19, sales were up but operating profit was down.

Operating profit fell YoY. OPM declined on higher material prices and a decrease in orders for minor repair and maintenance works with high margins. In FY02/23, Aeon Delight established a department specializing in estimating construction costs. The accuracy of estimates is improving, and cost negotiations are making progress, leading to improved profitability.

Quarterly results

Sales were down 5.8% YoY in 1H but up 66.5% YoY in Q3. Operating profit was down 37.6% YoY in 1H but up 114.2% YoY in Q3.

1H saw delays in some construction work due to shortages and delayed procurement of construction materials, such as parts and air conditioning equipment, against a backdrop of the COVID-19 pandemic and the Russian invasion of Ukraine. Further, orders declined as some retailers cut back on their capital spending in light of uncertainties in the external environment and soaring electricity and other costs. Orders were also hurt by customers' cancellation or postponement of capex plans, as well as their cutting back on minor repair and maintenance works. In addition, orders for large-scale construction projects with lower margins were a factor in the OPM decline.

In Q3 FY02/23, the same impact as in 1H continued. However, sales and profit grew in Q3 as the company recorded most of the earnings from restoration-related work for Aeon group stores damaged by the earthquake that occurred off the coast of Fukushima Prefecture in March 2022. In addition, the completion in Q3 of some of the construction work that had been delayed or postponed in 1H also contributed to higher sales and profit.

Full-year outlook

Sales and operating profit were on par with the forecast, and the company expects full-year results to grow YoY. The company expects projects delayed in 1H to contribute to earnings in the full-year. Earnings from the earthquake restoration-related construction had been booked by Q3. It intends to step up efforts to offer services that can contribute to lowering electricity costs and environmental burden, including LED lighting and automatic air-conditioning control services, as well as selling non-CFC cases, for commercial facilities with high electricity demand amid rising electricity costs.

On the profit front, the company is seeing an increase in material prices. It will continue to work to reduce costs by enhancing the accuracy of its construction cost estimates and by strengthening cost negotiations. It will also strengthen efforts to acquire high-margin construction projects.

Materials and Supplies Sourcing Services

- Sales grew 2.8% YoY to JPY31.0bn (+3.5% YoY based on the previous accounting standard), while operating profit fell 24.7% YoY to JPY1.5bn.

Sales increased YoY. Sales in and outside the Aeon goup increased. The company strengthened sales efforts targeting the Aeon group to increase share within the group. It expanded business with companies that have newly joined the Aeon group: Fuji Retailing Co., Ltd. (TSE Prime: 8278), which runs supermarkets in the Chugoku/Shikoku region, and Can Do Co., Ltd. (TSE Standard: 2698), which has a nationwide chain of 100-yen shops. Collaborating with other businesses, the company sold cleaning and sanitation materials to customers in Cleaning Services, and materials and equipment to those in Facilities Management and Security Services.

Operating profit declined YoY. Profitability deteriorated due to higher purchase costs for packaging and other materials driven by hikes in crude oil prices, raw materials prices, and logistics costs, which were not passed on to customers. Under these circumstances, the company continued to streamline logistics and other expenses, while seeking to adjust prices in accordance with rising costs.

Versus cumulative Q3 FY02/20, before the outbreak of COVID-19, sales increased but profit decreased.

Quarterly results

Sales were up 1.2% YoY in 1H and 6.1% YoY in Q3, showing stronger growth. Operating profit was down 27.0% in 1H and 19.1% in Q3, narrowing the margin of decline. From Q3, the company began to pass on higher procurement costs to customers.

Full-year outlook

Sales were as planned, but operating profit was below expectations. There was a delay in price negotiations aimed at passing on higher costs to customers. The negotiations are underway, and the company expects OPM to improve in Q4.

Vending Machine Services

- Sales rose 1.9% YoY to JPY7.1bn (+2.4% YoY based on the previous accounting standard), while operating profit jumped 91.0% YoY to JPY791mn.

Sales increased YoY. In Q2, beverage demand began to recover due to the upturn in human flows and the impact of the heat wave in July—August 2022, and again in Q3 on the lessening impact of COVID-19.

Operating profit increased in Q4 FY02/22 on a decrease in depreciation expenses due to impairment losses on unprofitable machines.

Both sales and profits were down compared to Q3 FY02/20, before the outbreak of COVID-19. Although customer footfall at the commercial facilities where the company has installed vending machines is recovering, demand for beverages sold from vending machines in commercial facilities has been slow due to changes in consumer behavior caused by the spread of COVID-19.

Quarterly trends

Sales were up 0.3% YoY in 1H and 5.4% YoY in Q3, showing stronger growth. Operating profit was up 57.5% YoY in 1H and 285.2% YoY in Q3. Beverage demand showed signs of recovery in Q3, and the company received large orders from the major manufacturer factories. The company also serves them in Facilities Management and Cleaning Services, and the cooperation between the businesses led to the orders.

Full-year outlook

Sales were below projections, but operating profit was as planned.

The company will continue installing more of its multi-brand vending machines (which offer beverages from several different brands) to improve profitability per machine. It recorded impairment losses for loss-making machines in FY02/22, and expects this to contribute to improved earnings throughout FY02/23.

Support Services

- Sales were up 11.7% YoY to JPY13.5bn, and operating profit was up 26.9% YoY to JPY419mn.

Sales were up YoY. The company focused on responding to recovering business trip demand in travel-related services and winning event-related orders. It also won contracts for on-site shipping operations for newly opened Aeon Mall stores. Outside the Aeon group, the company worked to expand services that were compatible with its other businesses to address outsourcing needs related to the management and operation of contracted facilities and their surroundings (e.g., operation of venues for new employee welcoming ceremonies and employee training, and operations peripheral to building maintenance). The company also acquired new contracts in China, including for operations peripheral to government building management and support services for new building constructions.

Operating profit grew YoY. Profitability improvement at travel business subsidiary Aeon Compass, in addition to sales growth, contributed to higher profit.

Quarterly results

Sales were up 10.7% YoY in 1H and 13.6% YoY in Q3, showing stronger growth. Operating profit was up 9.4% YoY in 1H and 86.7% YoY in Q3. Travel-related demand showed signs of recovery in Q3. The consolidation of Zhejiang Metelan Property Management Co. Ltd., which became a subsidiary in March 2022, also helped.

Full-year outlook

Sales were in line with the plan, but operating profit was below plan. As the impact of COVID-19 subsides, the number of contracts for domestic business trips is expected to rise. The company expects higher sales and operating profit for the full year.

Overseas business (within each segment)

- Sales increased 35.9% YoY to JPY24.1bn, while operating profit rose 8.6% YoY to JPY1.3bn.

Sales and profit grew in China and the ASEAN region.

Earnings of the overseas business are included in each segment. The company operates the Facilities Management, Security Services, Cleaning Services, and Support Services businesses overseas. Aeon group companies comprise roughly half of its customers.

China

Sales grew 36.5% YoY to JPY16.7bn, benefiting from consolidation of Zhejiang Metelan Property Management, which was made a subsidiary in March 2022, and an increase in the number of contracted facilities of Aeon Delight Jiangsu (government facilities, offices, commercial facilities, etc.). The company won contracts for new facilities in Security Services, Cleaning Services, and Support services, and worked to capture a larger share of customer wallets.

Operating profit increased on a yen basis but was almost flat YoY in local currency terms. SG&A expenses increased as the company hired additional personnel to strengthen governance, but profit increased on a yen basis due to the impact of the yen's depreciation.

Although the impact of COVID-19 was limited in cumulative Q3, it has been expanding since December 2022. As of early January 2023, business is continuing as usual, but there are concerns that an increased number of people traveling in and outside China around Chinese New Year (January 22, 2023) may cause infections to spread again. The company is closely monitoring the spread of COVID-19.

The company is actively seeking out M&A and partnership opportunities to develop specialty, expand business domains, and strengthen customer base. In March 2022, it acquired a local company (Zhejiang Metelan Property Management) that manages and operates healthcare facilities under contract in Zhejiang and Jiangxi provinces. In October 2022, the company made Aeon Delight (China) an investment company, making it easier to enter into cross-industry partnerships.

ASEAN

ASEAN as a whole saw increases in both sales and profit. The economies of the countries in which the company operates have begun to recover from the stagnation caused by the COVID-19 pandemic, with sales increasing in those countries. The company made preparations to establish a head office for the ASEAN business in Malaysia to reinforce group governance and develop a new growth strategy for the region as a whole. The company's ASEAN business has governance issues, more so than the China business, and so the company is dispatching personnel from Japan to address these issues and strengthen governance of the local business.

- Malaysia: Sales rose 50.5% YoY to JPY1.6bn. Operating profit also increased YoY in both yen and local currency terms. Sales grew due to growth in orders mainly from the Aeon group. The company continued to win orders from FY02/22 for various services including facility management, repair, and cleaning and disinfecting at existing Aeon Malaysia stores. Despite higher personnel expenses on increased headcount, profit grew supported by higher sales. Hourly wages were on an uptrend due to labor shortages caused by stricter border controls imposed on immigrants and foreign workers amid the COVID-19 pandemic, but hourly wages are gradually coming down to the pre-pandemic levels as border regulations are relaxed.

- Vietnam: Sales rose 29.4% YoY to JPY2.7bn. Operating profit was also up YoY in both yen and local currency terms. Aeon Mall plans to further accelerate store openings in Vietnam from 2025 to 2026. The company is also working to enhance its local business structure, such as by increasing the personnel headcount. COVID-19 is subsiding, and the company expects profitability to improve in Q4.

- Indonesia: Sales amounted to JPY3.1bn (+31.1% YoY), but the company posted an operating loss. Operating loss expanded on a yen basis due to the impact of the yen's depreciation. Sales grew as the company won contracts for Aeon Mall stores, but operating profit fell into the red due to higher personnel expenses on expanded efforts to improve the work environment in compliance with the revised local labor law. The increase in personnel expenses stemming from the revised law may also affect earnings in FY02/24. Indonesia is a larger market within the ASEAN region, and the company has access to the customer base of a cleaning company it purchased in the country in 2018. It is building local infrastructure by dispatching staff from Japan with an eye toward expanding contracts with Aeon group facilities.

Key initiatives for FY02/23

In FY02/23, Aeon Delight will carry out initiatives to realize the basic policies under its medium-term management plan: "customer-oriented management," "promotion of digital transformation (DX)," and "group management." The company will also step up M&A efforts, both in Japan and overseas.

Customer-oriented management

A KPI for customer-oriented management is to generate 40.0% of sales outside the Aeon group in FY02/24. (This figure was 35.6% as of end-FY02/22 and 35.7% for FY02/21.) This figure marked 36.0% in Q3 FY02/23.

In FY02/22, the company assigned account managers to key customers. This approach created a system for managing customer information centrally. By using account managers to build stronger customer relationships, the company has also increased its share of customers outside the Aeon group.

- Reorganizing and strengthening sales function: In April 2022, the company carried out structural reforms to reorganize and strengthen its sales function. It reorganized business areas covered by its total eight branch offices nationwide to better reflect and accommodate regional characteristics. It also redefined the responsibilities of each branch office position from the operation to management levels. Further, the company held training sessions for branch managers to enhance their job proficiency and awareness as a manager of each regional unit. Having reorganized its sales structure, the company aims to increase transactions with both existing and new customers, through reinforcing its account management initiatives for existing customers and making customer-centric proposals.

- Developing healthcare solutions: In this category, the company makes proposals for raising facilities' hygiene levels. Its solutions leverage the track record and expertise the company has built up through hospital-oriented "hygienic cleaning" and New Standard Cleaning. In April 2022, the company set up an organization tasked with honing proposals. With this organization, the company intends to expand proposals to non-group customers such as hospitals and hotels, and to win new contracts.

- Developing solutions to support decarbonization: In April 2022, the company set up a dedicated team that takes an integrated approach toward helping customers decarbonize their operations. Efforts to date have focused on individual steps for shrinking a customer's carbon footprint: installation of energy saving equipment and other energy-saving operations at individual facilities. Going forward, the company plans to expand into such areas as buying renewable energy and issuing environmental certifications.

Promotion of digital transformation

KPIs for the promotion of digital transformation (DX) are to achieve OPM of 6.0% by FY02/24, maintain ROE of 12%, introduce area management (sharing of facility management personnel between facilities located in a predetermined area) at 360 facilities, reduce the number of people assigned to specific facilities by 180, and reassign 20% of headquarters staff to direct departmental positions. In cumulative Q3 FY02/23, OPM was 4.8%, the number of facilities under area management was 269 (+91 versus end-FY02/22), and reductions in the number of people assigned to customer facilities was 156 (+41).

- Promoting use of the Aeon Delight platform: The company plans to use the platform to collect customer feedback, facility conditions, market trends in customers' industries, and external information about weather and disasters. It will use AI to analyze and process the data and efficiently share them across the service network of the company, group companies, and partner companies. In FY03/23, the company plans to raise process efficiency by promoting links between the Aeon Delight platform and various systems, and enhance the value of data by increasing the volume of information. In addition, in the sales department the company aims to make proposals from the customer's perspective. To do so, the company will utilize data from the Aeon Delight platform, as well as visualizing and sharing information about customer requests.

Group management

KPIs for group management to be achieved by FY02/24 are JPY65.0bn in sales at group companies in Japan, overseas sales accounting for more than 8% of the total, and a shift toward shared services at the finance and accounting departments of group companies in Japan. In cumulative Q3 FY02/23, overseas sales accounted for 10.6% of total sales, up from 7.8% at end-FY02/22. The rise in the share of overseas sales is also attributed to the depreciation of the yen.

- Promote growth of each group company in Japan by strengthening intragroup cooperation

    - Aeon Compass: In addition to handling overseas and domestic travel, the subsidiary also plans and manages events. Performance recovered as it worked to capture recovering business trip demand and demand arising from the resumption of events.

    - Building maintenance subsidiary: Building maintenance subsidiaries include Aeon Delight Connect (core subsidiary in the small and medium-sized facilities market), Hakuseisha (provides cleaning, hygiene management, security, facility management, and construction services), and Kankyouseibi (handles facility management, construction, security, cleaning management, designated manager operations). The business environment remained harsh, due to customers' postponement or brining forward of capital spending in light of changes in their operating environment, shortages and procurement delays of materials and equipment caused by the pandemic and Russia—Ukraine war, and higher initial spending for newly contracted facilities. Under these circumstances, in FY02/23, the company intends to strengthen Aeon Delight Connect's foundations by promoting cooperation, such as sharing personnel more actively, and strengthening sales at companies operating small- and medium-sized stores nationwide. The company also plans to strengthen the construction department through U-COM (designs commercial facilities and handles interior construction), which it absorbed in March 2021.

- Overseas, expand business in China and strengthen management base in the ASEAN region

    - China: The company aims to achieve organic growth by bolstering contracts for priority facilities such as medium- to high-end shopping centers, hospitals and nursing homes, and facilities in areas undergoing redevelopment. Aeon Delight also seeks to acquire and form business alliances with local companies that provide security and cleaning services for local hospitals and the factories of Japanese companies. In these ways, it aims to acquire expertise, expand its business domain, and strengthen its customer base.

- ASEAN region: The company expects business to grow in this region in the medium to long term, due to the opening of new Aeon group stores and the expansion of Japanese companies. Aeon Delight is moving toward the establishment of an ASEAN regional headquarters to strengthen the management base and help it plan growth strategies in individual countries.

FY02/23 company forecast

Full-year company forecast

	FY02/21 (previous accounting standards)			FY02/22 (previous accounting standards)			FY02/23 (new accounting standards)		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	**149,734**	**150,351**	**300,085**	**163,907**	**153,750**	**317,657**	**147,660**	**162,340**	**310,000**
YoY	-4.9%	-0.5%	-2.8%	9.5%	2.3%	5.9%	-	-	-2.4%
Cost of sales	131,494	131,416	262,910	143,444	134,714	278,158	128,054		
Gross profit	**18,239**	**18,936**	**37,175**	**20,462**	**19,036**	**39,498**	**19,606**		
YoY	-7.7%	0.7%	-3.6%	12.2%	0.5%	6.2%	-4.2%		
Gross profit margin	12.2%	12.6%	12.4%	12.5%	12.4%	12.4%	13.3%		
SG&A expenses	10,738	11,207	21,945	12,035	11,729	23,764	13,004		
YoY	-3.9%	-1.7%	-2.8%	12.1%	4.7%	8.3%	8.1%		
SG&A ratio	7.2%	7.5%	7.3%	7.3%	7.6%	7.5%	8.8%		
Operating profit	**7,500**	**7,730**	**15,230**	**8,427**	**7,306**	**15,733**	**6,602**	**10,398**	**17,000**
YoY	-12.7%	4.4%	-4.8%	12.4%	-5.5%	3.3%	-21.7%	42.3%	8.1%
Operating profit margin	5.0%	5.1%	5.1%	5.1%	4.8%	5.0%	4.5%	6.4%	5.5%
Recurring profit	**7,496**	**7,772**	**15,268**	**8,489**	**7,300**	**15,789**	**6,602**	**10,398**	**17,000**
YoY	-13.4%	6.6%	-4.3%	13.2%	-6.1%	3.4%	-22.2%	42.4%	7.7%
Recurring profit margin	5.0%	5.2%	5.1%	5.2%	4.7%	5.0%	4.5%	6.4%	5.5%
Net income	**3,943**	**7,737**	**11,680**	**5,557**	**5,108**	**10,665**	**4,336**	**6,364**	**10,700**
YoY	-23.9%	85.7%	24.9%	40.9%	-34.0%	-8.7%	-22.0%	24.6%	0.3%

Source: Shared Research based on company data
Note: From FY02/23, the company has adopted the new Accounting Standard for Revenue Recognition, which will affect the way sales are recorded. Operating profit and line items below are not affected.

The company forecast for FY02/23 calls for sales of JPY310.0bn (-2.4% YoY), operating profit of JPY17.0bn (+8.1% YoY), recurring profit of JPY17.0bn (+7.7% YoY), net income attributable to owners of the parent of JPY10.7bn (+0.3%), EPS of JPY213.9, and annual dividends per share of JPY85.0 (payout ratio of 39.7%).

The expected YoY decline in sales is due to the application from FY02/23 of the new Accounting Standard for Revenue Recognition. The company's sales forecast equates to a 9.3% YoY increase in sales under the previous accounting standard. The company expects COVID-19 to have a JPY800mn negative effective on operating profit. Even so, the company forecasts YoY increases in operating profit and all accounting line items below that point due to higher sales and efforts to reduce costs.

The company forecasts OPM of 5.5% (+0.5pp YoY). In the mainstay Facilities Management segment, the company aims to bolster GPM by nearly 2.0pp by reinforcing area management and reorganizing to achieve operational efficiencies. In the Construction Work segment, the company aims to curtail the negative impact of rising materials prices by estimating construction costs more precisely.

The forecast for net income attributable to owners of the parent excludes any extraordinary gains and losses.

The company anticipates a payout ratio of 40% in FY02/23. Previously, the company had sought to maintain a 35% payout ratio and aimed to reach a 40% level by FY02/24. The company now aims to bring this date forward.

Initiatives in FY02/23

In FY02/23, the company will be carrying out initiatives to realize the basic policies under its medium-term management plan: "customer-oriented management," "promotion of digital transformation (DX)," and "group management." The pandemic is delaying the impact of these measures by one to two years, and overseas M&A activity has been delayed. In FY02/23, the company plans to step up M&A efforts, both in Japan and overseas, to achieve the objectives outlined in the medium-term management plan.

Customer-oriented management

A KPI for customer-oriented management is to generate 40.0% of sales outside the Aeon group in FY02/24. (This figure was 35.6% as of end-FY02/22 and 35.7% for FY02/21.)

In FY02/22, the company assigned account managers to key customers. (Account managers are salespeople in charge of handling all transactions for a specific customer.) This approach created a system for managing customer information centrally. By using account managers to build stronger customer relationships, the company aims to boost its share of customers outside the Aeon group.

- Reorganizing and strengthening the sales function: In April 2022, the company carried out structural reforms to reorganize and strengthen the sales function. For existing customers, Aeon Delight stepped up account management. To boost its share of business with existing customers outside the Aeon group, the company drew up a list of 100 companies toward which it would step up sales activities (up from 80 in FY02/22). At the same time, the company will focus on cultivating new non-group customers.

- Developing healthcare solutions: In this category, the company makes proposals for raising facilities' hygiene levels. Its solutions leverage the track record and expertise the company has built up through hospital-oriented "hygienic cleaning" and New Standard Cleaning. In April 2022, the company set up an organization tasked with honing proposals. With this organization, the company intends to expand proposals to non-group customers such as hospitals and hotels, and to win new contracts.

- Developing solutions to support decarbonization: In April 2022, the company set up a dedicated team that takes an integrated approach toward helping customers decarbonize their operations. Efforts to date have focused on individual steps for shrinking a customer's carbon footprint: installation of energy saving equipment and other energy-saving operations at individual facilities. Going forward, the company plans to expand into such areas as buying renewable energy and issuing environmental certifications.

Promotion of digital transformation

KPIs for the promotion of digital transformation (DX) are to achieve OPM of 6.0% by FY02/24, maintain ROE of 12%, introduce area management at 360 facilities, reduce the number of people assigned to specific facilities by 180, and reassign 20% of headquarters staff to direct departmental positions. In Facilities Management, the company intends to strengthen the introduction of "area management" (assigning facility management personnel across a set area rather than to individual facilities) and save costs by reducing the number of facility management personnel and introducing automation.

- Achieving OPM of 6.0% (5.0% in FY02/22 and 5.1% in FY02/21) and, by boosting OPM, maintaining ROE of 12% (11.7% and 14.1%): The company plans to introduce area management for more facilities, reducing the number of people assigned to specific facilities and reassigning these people to other positions.

- Introducing area management at 360 facilities (151 and 27) and, as a result, reducing the number of people assigned to specific facilities by 180 (reduction of 115 people in FY02/22): The company plans to alleviate labor shortages and transform its earnings structure by accelerating the rollout of area management and applying DX to its operations. By end-FY02/23, the company aims to have reduced personnel numbers by 155 (115) at a cumulative 278 facilities (178) and reassigned these people. The company is also pursuing R&D aimed at DX in Security Services, Cleaning Services, and Support Services.

- Reassigning 20% of headquarters staff: In FY02/22, the company improved business processes at its headquarters divisions. In FY02/23, it plans to reduce headquarters staff by 20% (for reassignment elsewhere), saving back-office resources by outsourcing non-core operations and using automation tools.

- Promoting use of the Aeon Delight platform: The company plans to use the platform to collect customer feedback, facility conditions, market trends in customers' industries, and external information about weather and disasters. It will use AI to analyze and process the data and efficiently share them across the service network of the company, group companies, and partner companies. In FY02/23, the company plans to raise process efficiency by promoting links between the Aeon Delight platform and various systems, and enhance the value of data by increasing the volume of information. In addition, in the sales department the company aims to make proposals from the customer's perspective. To do so, the company will utilize data from the Aeon Delight platform, as well as visualizing and sharing information about customer requests.

Group management

KPIs for group management to be achieved by FY02/24 are JPY65.0bn in sales at group companies in Japan, overseas sales accounting for more than 8% of the total, and a shift toward shared services at the finance and accounting departments of group companies in Japan.

- Sales of JPY65.0bn at group companies in Japan (JPY52.1bn in FY02/22, JPY52.8bn in FY02/21): Progress in this area has been slow, as COVID-19 has had a greater-than-expected impact. The company is strengthening cooperation among group companies and promoting growth at group companies in Japan.

- Aeon Delight Connect: This company resulted from a March 2021 merger between A to Z Service Co., Ltd. (a construction and maintenance service provider for small and medium-sized facilities in eastern Japan) and Do Service Co., Ltd. (a cleaning services provider for small and medium-sized facilities in western Japan). Aeon Delight had planned to position the new company as a core subsidiary in the market for small- and medium-sized facilities and to accelerate the formation of a regional economic zone, but progress has been slow. In FY02/23, the company intends to strengthen Aeon Delight Connect's foundations by promoting cooperation, such as sharing personnel more actively, and strengthening sales at companies operating small- and medium-sized stores nationwide. The company also plans to strengthen the construction department through U-COM (designs commercial facilities and handles interior construction), which it absorbed in March 2021.

- Hakuseisha: Provides services such as cleaning and sanitation management, security, facilities management, construction, and installation. Aims to expand its share of business among existing customers.

- Kankyouseibi: Provides services such as facility management, construction, security, management of cleaning, and designated manager operations. Aims to expand market share in the northern Kanto region in cooperation with Aeon Delight's Kanto branch.

- Aeon Compass: In addition to handling overseas and domestic travel, the company also plans and manages events. In FY02/22, performance was lackluster due to the pandemic, but Aeon Compass is responding to resurgent demand and working to develop new services.

- An overseas sales ratio of more than 8% (7.8% and 6.7%): In FY02/22, Aeon Delight expanded its business in China through a combination of organic growth and acquisitions of leading local companies. The company is working to expand in China and strengthen its management base in the ASEAN region.

    - China: The company aims to achieve organic growth by bolstering contracts for priority facilities such as medium- to high-end shopping centers, hospitals and nursing homes, and facilities in areas undergoing redevelopment. Aeon Delight also seeks to acquire and form business alliances with local companies that provide security and cleaning services for local hospitals and the factories of Japanese companies. In these ways, it aims to acquire expertise, expand its business domain, and strengthen its customer base.

    - ASEAN region: The company expects business to grow in this region in the medium to long term, due to the opening of new Aeon group stores and the expansion of Japanese companies. Aeon Delight is moving toward the establishment of an ASEAN regional headquarters to strengthen the management base and help it plan growth strategies in individual countries. The Aeon group plans to accelerate the opening of new stores in Vietnam from 2024, so Aeon Delight will strengthen its system for winning contracts there. In FY02/23, the company may incur an operating loss in Indonesia, which is stepping up efforts to improve the labor environment, leading to higher personnel expenses and other costs.

Business-specific initiatives and forecasts

The company expects sales to decline in the Materials and Supplies Sourcing Services and the Vending Machine Services segments, due to application of the new Accounting Standard for Revenue Recognition. The company forecasts YoY growth across all segments, however, based on the previous standard. Because it is engaging in group management, the company does not disclose business-specific sales and operating profit.

- Facilities Management: The company expects to generate higher sales through a focus on expanding market share among existing customers (by strengthening account management) and acquiring new customers outside the Aeon group. The company also intends to step up the introduction of area management at facilities both in and outside the Aeon group. The company forecasts a rise in profitability. It anticipates improved earnings at facilities where area management was introduced in FY02/22, and is working to reduce outsourcing expenses.

- Security Services: The company expects to increase sales by expanding its share of business among existing customers (as a result of stronger account management) and winning new customers. In FY02/22, the company installed security systems at some 200 stores and curtailed the number of security personnel. As the effect of installing security systems becomes apparent in FY02/23, the company expects OPM to increase. Additionally, the company aims to strengthen area management, mechanize operations, win contracts for highly profitable large projects and event security, and pass on higher personnel expenses.

- Cleaning Services: In FY02/22, extraordinary demand related to quarantine-related cleaning amid the pandemic had a JPY3.0bn positive impact on sales. The company expects this extraordinary demand to be absent in FY02/23. Even so, it will work to increase sales by winning new contracts with hospitals, hotels, and other customers outside the Aeon group by proposing solutions that raise facility hygiene levels. In FY02/22, OPM was 12.1% (+0.4pp YoY), due to an increase in special cleaning. In FY02/23, the company expects OPM to fall back to FY02/20 levels (around 11.2%). Despite the lower OPM, the company expects profit to rise on the back of higher sales.

- Construction Work: In FY02/22, the company won construction contracts related to restoration work following the offshore earthquake in Fukushima Prefecture. In FY02/23, the company anticipates higher sales due to store refurbishments that were delayed by the pandemic, as well as large-scale renovation projects. The percentage of in-group sales is relatively high in the Construction Work segment. To win customers outside the Aeon group, the company is enhancing its proposals targeting energy-saving measures and the shift to LED lighting. On the profit front, the company is seeing an increase in materials prices. It will work to reduce costs by setting up a new organization to estimate construction costs more accurately, and by strengthening cost negotiations.

- Materials and Supplies Sourcing Services: In this segment, approximately 30% of sales (equivalent to JPY17.0bn to JPY18.0bn) will no longer be recognized as sales under the new Accounting Standard for Revenue Recognition. However, the company forecasts YoY sales growth based on the previous standard. The company will work to win business with companies that have newly joined the Aeon group: Fuji Retailing Co., Ltd. (TSE Prime: 8278), which runs supermarkets in the Chugoku/Shikoku region, and Can Do Co., Ltd. (TSE Standard: 2698), which has a nationwide chain of 100-yen shops. The company will strengthen cost management to secure profits. Additionally, Aeon Delight will augment sales efforts targeting non-group customers, its system for managing customers under contract, and its compliance system.

- Vending Machine Services: In this segment, approximately 40% of sales (equivalent to around JPY10.0bn) will no longer be recognized as sales under the new Accounting Standard for Revenue Recognition. However, the company forecasts YoY sales growth based on the previous standard. The company expects the impact of the COVID-19 epidemic to ease.

- Support Services: Although the pandemic is slowing a rebound in demand for travel arrangements, the company plans to target existing customers with which it has contracts in place for integrated facility management (IFM). It intends to step up proposals for the outsourcing of non-core businesses, such as offering to manage workplace vaccination sites and run employee onboarding events.

Historical forecast accuracy

Results vs. Initial Est.	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
(JPYmn)	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**
Sales (Initial Est.)	260,000	270,000	280,000	305,000	305,000	305,000	315,000	315,000	325,000	310,000
Sales (Results)	256,654	265,572	277,926	292,607	292,396	302,915	308,582	300,085	317,657	
Results vs. Initial Est.	**-1.3%**	**-1.6%**	**-0.7%**	**-4.1%**	**-4.1%**	**-0.7%**	**-2.0%**	**-4.7%**	**-2.3%**	
Operating profit (Initial Est.)	15,500	16,000	17,000	17,500	18,000	18,500	18,000	16,500	16,500	17,000
Operating profit (Results)	14,622	15,390	14,556	14,139	12,909	13,030	16,001	15,230	15,733	
Results vs. Initial Est.	**-5.7%**	**-3.8%**	**-14.4%**	**-19.2%**	**-28.3%**	**-29.6%**	**-11.1%**	**-7.7%**	**-4.6%**	
Recurring profit (Initial Est.)	15,500	16,000	17,000	17,500	18,000	18,500	18,000	16,500	16,500	17,000
Recurring profit (Results)	14,600	15,472	14,534	14,263	13,381	13,362	15,949	15,268	15,789	
Results vs. Initial Est.	**-5.8%**	**-3.3%**	**-14.5%**	**-18.5%**	**-25.7%**	**-27.8%**	**-11.4%**	**-7.5%**	**-4.3%**	
Net income (Initial Est.)	8,300	8,600	9,400	10,000	10,700	11,000	10,800	10,000	10,500	10,700
Net income (Results)	7,039	7,965	7,247	7,093	6,397	6,415	9,348	11,680	10,665	
Results vs. Initial Est.	**-15.2%**	**-7.4%**	**-22.9%**	**-29.1%**	**-40.2%**	**-41.7%**	**-13.4%**	**16.8%**	**1.6%**	

Source: Shared Research based on company data.
Note: Results through FY02/18 have not been retrospectively adjusted.

Medium- and long-term outlook

Medium-term plan	FY02/21	FY02/22	FY02/23	FY02/24	FY02/26	3-year	5-year
(JPYmn)	**Cons.**	**Cons.**	**FY Est.**	**Targets**	**Targets**	**CAGR**	**CAGR**
Sales	**300,085**	**317,657**	**310,000**	**361,000**	**471,000**	6.4%	9.4%
YoY	-2.8%	5.9%	-2.4%	16.5%			
Operating profit	**15,230**	**15,733**	**17,000**	**22,000**	**37,000**	13.0%	19.4%
YoY	-4.8%	3.3%	8.1%	29.4%			
Operating profit margin	5.1%	5.0%	5.5%	6.1%	7.9%		
Net income	**11,680**	**10,665**	**10,700**	**14,000**			
YoY	24.9%	-8.7%	0.3%	30.8%			
Net margin	3.9%	3.4%	3.5%	3.9%			
Sales: Non-Aeon group ratio	35.7%	35.6%		40.0%	50.0%		
Sales: Overseas ratio	6.7%	7.8%		Over 8%	Over 15%		
ROE	14.1%	11.7%		12%	15%		

Source: Shared Research based on company data
Note: From FY02/23, the company has adopted the new Accounting Standard for Revenue Recognition, which will affect the way sales are recorded. Operating profit and line items below are not affected.

Aeon Delight Vision 2025

In October 2018, the company announced Aeon Delight Vision 2025 ("Vision 2025"). Aeon Delight's management principle calls for the creation of "environmental value" for clients and regional communities. In accordance with this principle, Vision 2025 aims to transform Aeon Delight into a company that creates environmental value and contributes to solving social issues, with "safety and security," "manpower shortage," and "environment" as three pillars of its growth strategy. Thereafter, in the face of accounting irregularities at Kajitaku in FY02/20 and pandemic-related delays in some measures in FY02/21, Aeon Delight announced new targets when it released its FY02/21 earnings results, although with no change in the company's overall direction.

The new targets for FY02/26 are sales of JPY471.0bn (CAGR of 9.4%), operating profit of JPY37.0bn (CAGR of 19.4%), and ROE of at least 15% (ROE was 14.1% in FY02/21). (It was previously targeting sales of JPY525.0bn and operating profit of JPY48.0bn.) The company is aiming for top ten sales and top-level OPM globally and number one sales in Asia in the facilities management industry. To become one of the top ten companies in the world, the company is aiming to expand its market share in Japan by constructing Aeon Delight (AD) economic zone and concentrating management resources in China for its overseas operation.

Progress of the medium-term management plan

In its medium-term management plan, Aeon Delight has set a target of JPY22.0bn in operating profit for FY02/24. The "customer-oriented management," "promotion of digital transformation (DX)," and "group management" initiatives in the plan have steadily penetrated and are beginning to contribute to business performance. In particular, Q3 showed a recovery trend. However, due to changes in social conditions such as the outbreak of COVID-19, there was a delay of one to two years in the contribution of various initiatives to business performance. The company also recognizes that it was difficult to promote acquisitions as set forth in the medium-term management plan. In fact, progress toward the company's operating profit target of JPY17.0bn for FY02/23 has been slow, at 63.6% of the company's full-year forecast in cumulative Q3.

Against this background, the company is considering reviewing its numerical targets with the aim to redevelop its medium-term management plan.

Medium-term plan (FY02/22–FY02/24)

In April 2021, Aeon Delight formulated a medium-term plan covering the next three years (FY02/22–FY02/24) as it moves toward realizing the goals of Aeon Delight Vision 2025. The medium-term plan targets FY02/24 sales of JPY361.0bn (CAGR of 6.4%), operating profit of JPY22.0bn (CAGR of 13.0%), and net income of JPY14.0bn. By FY02/24, the company aims to increase sales within the Aeon group by JPY25.0bn versus FY02/21 to JPY220.0bn (60% of total sales, -5pp versus FY02/21), while growing sales outside the Aeon group by JPY35.0bn to JPY140.0bn (40% of total sales, +5pp versus FY02/21) and raising OPM to 6.0% (+0.9pp versus FY02/21). It aims to achieve this sales growth and OPM improvement by putting customer-oriented group management into practice and promoting digital transformation (DX).

Customer-oriented management

Increase in ratio of sales outside Aeon group

Under the medium-term plan, Aeon Delight plans to increase sales outside the Aeon group to approximately JPY140.0bn (+JPY35.0bn versus FY02/21) by FY02/24, raising the ratio to total sales to 40% (+5pp versus FY02/21).

Since the pace of openings of large new Aeon group stores has slowed in Japan, the company aims to expand its share in non-Aeon group and overseas markets.

It has already been expanding its presence in the non-Aeon group market (the ratio of sales outside the Aeon group rose from 34% in FY02/11 to 36% in FY02/21). However, the allocation of its sales resources to the non-Aeon group market has been limited because its long-term growth has been specifically linked to the Aeon group's own aggressive store opening strategy.

Under the medium-term plan, the sales division will be divided into two teams; one to develop new customers and the other to expand the share of services provided to existing customers. For existing customers, the company will assign account managers who will be responsible for all transactions with each customer, grasp the needs of that customer, and track and analyze trends in the industry to which the customer belongs.

In addition, Customer Support Centers (CSCs), which began operating at all eight branches in Japan in March 2021, will consolidate information about each facility and its requirements. The company will analyze this information by customer and by facility for use in service development and quality assurance, with the aim of providing all customers, new and existing, with optimal solutions for the challenges they face.

Development of Aeon Delight platform

Aeon Delight aims to create a system that transforms customer feedback into organizational strength in service development, quality assurance, and sales. To that end, the company believes it is necessary to have a mechanism for collecting and analyzing a range of data (including customer feedback, facility conditions, and market trends in customers' industries) and processing it into valuable information.

At the same time, it will develop Aeon Delight Platform to serve as a conduit for efficiently sharing information and data analysis results not only internally, but across its entire service network, including group companies and their partners. To build such a system, in February 2021 the company reorganized its sales and business divisions and all domestic branches, and established a marketing DX division to oversee them.

With Aeon Delight Platform, the sales division will strengthen the company's relationships with its customers to better understand their needs, along with trends in the industries to which they belong. Furthermore, as mentioned, CSCs, which began operating at all eight branches in Japan in March 2021, will consolidate and analyze information about each facility and its requirements. The information will be used in service development and quality assurance as the company aims to provide customers with optimal solutions.

Promotion of digital transformation (DX)

Nationwide rollout of area management system centered on CSCs

Aeon Delight established CSCs at all eight domestic branches in March 2021 and will promote area management nationwide based on the results of proof-of-concept testing at the Hokkaido branch. Under its medium-term plan, it aims to increase the number of facilities subject to area management to 360, allowing it to reduce the number of facilities management personnel by 180 people.

Centered on the CSCs, the company will develop a new facilities management model using DX to address the manpower shortage and reduce the number of permanently stationed facilities management personnel. It aims to replace the conventional facilities management model (management of individual stores) with an area management model in which personnel are shared by facilities in a certain area.

Proof of concept at Hokkaido branch: With the cooperation of Aeon Hokkaido, the company conducted proof-of-concept testing in FY02/21 at its Hokkaido branch to determine the viability of area management. It established a CSC at the Hokkaido branch first and, in addition to a remote alarm management system, set up a monitoring station that integrates systems for monitoring the status of equipment within facilities and any anomalies. At Aeon Yoichi, the store used in the test, the company installed various systems and sensors, and facility inspection operations were shifted to the CSC to be conducted remotely. By enabling this operating structure centered on the CSC from daily inspection work to emergency response, Aeon Yoichi has achieved an unmanned management of onsite facilities since November 2020.

Relocation of head office

Aeon Delight relocated its Tokyo head office in September 2021 to consolidate its head office functions. By updating the equipment and layout of the new head office, the company is creating an environment in which diverse human resources using a variety of work styles can all maximize their performance.

The head office will be constantly in contact with CSCs located in branches, allowing real-time sharing of customer status. In addition, it will employ energy-saving and BCP measures and be open to the public as an example of an advanced facility environment, making it a strategic office for disseminating information on facilities management, allowing the company to expand its business opportunities.

Furthermore, as part of consolidating head office functions, the company will review its business processes, reduce head office staff by 20%, and reassign those employees directly to relevant departments to improve productivity.

Group management

Establishment of Aeon Delight Connect for management of small and medium facilities

In March 2021, the company merged A to Z Service Co., Ltd., an interior construction and maintenance services provider for mainly Kanto-area small and medium facilities, with Do Service Co., Ltd., a cleaning services provider for mainly Kansai-area small and medium facilities, to create Aeon Delight Connect Co., Ltd. The new company is set to become a core company within the group providing comprehensive facility management services for small and medium facilities throughout Japan. The reorganization allows the company to expand the service area of A to Z Service and Do Service and increase the services available to existing customers. Aeon Delight has mobilized its management team to join sales staff in marketing activities, targeting nationwide convenience store, restaurant, supermarket, and clothing store chains.

Establishment of company to oversee China business

In April 2021, the company established Aeon Delight China (AD China) to oversee its operations in China. It had already established a local subsidiary in Beijing in 2007. Thereafter, it built a business foundation and expanded its service network in China by adding to the group two local companies; Aeon Delight Jiangsu in 2012 and Wuhan Xiaozhu Property Management in 2013. Taking advantage of the expertise and energy-saving technologies the company has cultivated in Japan, the two subsidiaries, Aeon Delight Jiangsu and Wuhan Xiaozhu, have expanded their businesses by participating in regional redevelopment projects and providing services in various regions and types of facilities, including large commercial facilities, upscale residential buildings, and transportation infrastructure facilities.

With the establishment of AD China, the company aims to promote synergies among companies operating in China and enable comprehensive management of the quality of services provided there, so that it can establish the Aeon Delight brand in China as a reliable brand. In addition, it intends to accelerate growth in China by providing support to its companies operating there, especially in the North, East, Central, and South China areas.

In October 2022, Aeon Delight made its Chinese subsidiary Aeon Delight (China), whose main line of business was facility management, an investment company, and renamed the subsidiary Aeon Delight (China) Investment Holdings Co., Ltd. The company also increased its stake in the subsidiary.

- Purpose: The company intends to acquire local facility management companies and new businesses that operate in various regions in China to expand its China business. Having made Aeon Delight (China) an investment company, the company can now invest in local companies operating in other industries, thereby further expanding the scope of its China operations. It also increased its stake in the subsidiary to actively carry out M&A activities.

- Outlook: The company targets FY02/25 sales of JPY60.0bn (versus JPY17.0bn in FY02/22) for its China business. Of the JPY60.0bn sales target, the company aims to generate JPY40.0bn through organic growth and JPY20.0bn from acquisitions. It intends to invest in local companies that have expertise and customer bases in the energy and environment-related field, parking lot and parking facility operations, and in fields other than facility management where the company has already developed a business in the country. It aims to grow sales through synergies generated through cross-selling while continuing to push forward with business diversification. Depending on the project, the company's headquarters in Japan may further increase its stake in Aeon Delight (China) Investment Holdings.

Aeon Delight also aims to expand its operations in Vietnam, where it expects Aeon Mall to actively open new stores. It will particularly target Japanese companies entering the Vietnamese market.

Consideration of M&A candidates

The company considers M&A to be an important strategy for achieving the goals of its Vision 2025 plan, so in the five years from FY02/22 to FY02/26 it will consider M&A, with a maximum ownership limit of about JPY25.0bn. M&A objectives would be to create regional economic zones and overseas bases and to expand the company's business domain (for example, by acquiring companies that conduct facilities management business for hospitals or factories).

In selecting investment projects, the company will take into account the capital cost and implement the following three financial measures. First, it will decide a standard for holding a certain level of liquidity on hand; second, it will secure a variety of financing sources; and third, it will establish financial discipline. To ensure adequate liquidity on hand, it maintains cash and deposits (about JPY50.0bn) equivalent to two months' sales (1.5 months for working capital and 0.5 months as a risk reserve), while taking into account the cost of capital. The company plans to use surplus cash and deposits mainly for M&A and other growth strategies, but may also invest in low risk options such as securities. It intends to invest for growth, including M&A, and has obtained a credit rating with a view to financing externally in case it is unable to cover investments with its own cash reserves. When financing externally, the company understands that it needs to maintain a certain degree of financial discipline, such as reducing its net assets in line with its ROE target.

Promotion of shared services and creation of a suitable organizational culture

Aeon Delight will continue working to enhance group governance to prevent improper conduct by group companies. As part of this effort, it will promote the consolidation of finance and accounting departments (shared services) to increase the reliability of financial statements produced by group companies. Based on reflection regarding the accounting irregularities at the old Kajitaku, the company will establish an organizational culture committee, because it is critical to have a suitable organizational culture to complement basic administrative mechanisms and rules.

Business

Business description

Aeon Delight provides maintenance services for retail facilities and office buildings. The company, formerly known as Japan Maintenance (a subsidiary of MyCal Corp.), was established mainly to undertake maintenance at Mycal stores in November 1972.

Mycal filed for bankruptcy in September 2001 (delisted on September 17, 2001), and became a subsidiary of Aeon in 2003. Japan Maintenance merged with Aeon Techno Service and the name was changed to Aeon Delight in September 2006. In FY02/22, the company derived 64.4% of sales from Aeon Retail Co., Ltd. and other Aeon group companies. Aeon Delight handles between 80% and 90% of the facilities management work required by Aeon Retail, and about 65% of such work required by Aeon Mall Co., Ltd. Facilities management work at Aeon Mall was previously done by a subsidiary of Diamond City, a Mitsubishi Corp. affiliate absorbed by Aeon Mall in 2007. The company is aiming to increase the share of work handled for Aeon Mall by following its overseas expansion in recent years and keeping a close relationship. Aeon Delight also handles between 60% and 70% of the facilities management work at MaxValu retail stores owned by the Aeon group.

M&A activities

Aeon Delight is active in M&A. It has purchased companies in cleaning, building management, and store interior construction. It has also purchased companies in businesses ancillary to facilities management, and been proactive in seeking out alliances in other formats. In 2018 it announced collaboration with SECOM (TSE Prime: 9735) to create a new business model for small and medium-sized facilities.

Business model

Aeon Delight became a leading integrated facilities management operator through its relationship with the Aeon group. The company derives its earnings by providing an integrated, all-in-one package of facilities management services to large retail and commercial properties. It was able to differentiate itself from competitors by its expertise and costs competitiveness. Competitors included Tokyu Community Corp. (not listed), Biru Daiko Co., Ltd., Nihon Housing Co., Ltd. (TSE Standard: 4781), and Nippon Kanzai Co., Ltd. (TSE Prime: 9728).

There are three type of property management, residential, commercial, and office buildings. Most of these competitors were mainly involved in residential management of condominiums. Few other large companies were focused on commercial facilities and building management due the high costs involved. The company was able to gain expertise in commercial property management through servicing large retail facilities such as shopping malls and supermarkets. The property maintenance industry includes over 5,000 companies, most of which are small and medium-sized businesses.

The structure of the building maintenance industry resembles that of the construction industry, with second- and third-tier subcontractors working under prime contractors. Aeon Delight, a prime contractor, uses a number of subcontractors. Most of its contracts are signed on an annual basis, which are almost always renewed. In other words, it has a recurring-revenue structure.

The company renegotiates contracts once a year, a process that regularly challenges its pricing, quality, and ability to offer clients attractive packages. For example, the parent company Aeon conducts a competitive bidding to keep the process fair and open. However, Aeon Delight is able to provide competitive bids given its knowledge of the client's needs, and know-how. Its superior position as a large company with comprehensive reliable services will be further enhanced as the size of buildings expands. The company is able to handle large facilities maintenance given its size and economy of scale, which further reinforces its strength and position. Thus, Shared Research believes that Aeon Delight's position within the commercial facilities industry is likely to improve, as the company has know-how and expertise.

Business overview

Aeon Delight operates seven main business segments: Facilities Management, Security Services, Cleaning Services, Construction Work, Materials and Supplies Sourcing Services, Vending Machines, and Support Services.

Customers outside the Aeon group include commercial facilities, office buildings and offices, hotels and lodging facilities, medical and welfare facilities, school facilities, factories and workshops, warehouses and logistics centers, public facilities, various events, and others.

Account management

The company is stepping up its initiatives in the area of account management. In the past, the company communicated with customers at the segment level. Now, it is assigning account managers to major customers and creating a system to manage customer information centrally. By better understanding customers and their industries, the company aims to increase customer satisfaction and expand its own business through customer referrals to other segments. Through account management, the company proposes that services covering multiple departments be provided collectively (for instance, operations related to Facilities Management could be handled by Construction Work) and that the same services are provided throughout the country to customers that are operating on a nationwide basis.

The company is also promoting industry-specific proposals. The company is analyzing the information it collects on customers and industries through account management, and has brought in personnel with expertise in the industries it targets.

Facilities Management

Facilities Management	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Sales	42,050	43,458	45,839	48,962	50,551	52,699	56,364	58,289	58,223	61,538
YoY	-0.2%	3.3%	5.5%	6.8%	3.2%	4.2%	7.0%	3.4%	-0.1%	5.7%
Operating profit	4,661	4,725	4,217	4,206	4,350	4,644	5,558	5,293	5,175	5,495
YoY	-8.3%	1.4%	-10.8%	-0.3%	3.4%	6.8%	19.7%	-4.8%	-2.2%	6.2%
Operating profit margin	11.1%	10.9%	9.2%	8.6%	8.6%	8.8%	9.9%	9.1%	8.9%	8.9%

Source: Shared Research based on company data

This segment is involved in inspection, protection, and maintenance of facilities, providing monitoring support 24 hours a day, 365 days a year. Specific services are tailored to meet the needs of individual clients. This is a staple business for Aeon Delight with few contract cancellations. Licensed technicians (such as electricians) are on standby at all times in large shopping centers. Specifically, the company manages utilities such as electricity, water, and gas, HVAC (operations, repairs, construction, and required inspections), exit and entrance management, anti-theft measures, and automobile parking. Operating profit margin is about 9%. Required facilities are purchased by the client (property owner), and primarily costs incurred by the company are personnel costs and facilities management costs (water and utilities costs and depreciation). The company puts personnel on-site at large retail facilities, while smaller facilities are visited periodically and monitored remotely.

Area management

In March 2021, Aeon Delight set up customer service centers at all eight branches in Japan and rolled out remote support systems. The company also achieved labor-saving on-site as it installed systems and sensors at its facilities. This infrastructure enabled cost reductions through labor-saving and automation based on area management, which involves the sharing of facilities management personnel in a set area. The company first launched the area management concept with a focus on Aeon Retail stores among the several thousand facilities under contract.

Utilization of technology: Next-generation facilities management model

The next-generation facilities management model uses an open facilities management network system the company has developed. This system introduces IoT into facility management. Data are measured automatically by sensors installed throughout customers' facilities. These data are consolidated in the cloud, reducing manpower and time while allowing all data to be managed at once.

Using IoT, the system performs remote monitoring and automatic control of air conditioning and lighting. It is an open network utilizing existing control equipment and IoT; it has a low installation cost (in some cases, it can reduce costs by half through multiple vendors); enables lower operation costs by reducing necessary manpower through remote monitoring; and saves energy. The company is watching out for replacement demand for central monitors (every 15–20 years) to capture replacement orders with its accumulated commercial facilities management know-how. It also plans to utilize its big data and AI.

While leveraging its track record for large commercial facilities, its specialty, the company is also rolling out the system in other areas including drug stores to secure market share. In Asia ex. Japan, new purchases account for most market demand while in Japan most demand is replacement demand. The company intends to make its services the de facto industry standard in conventional facilities management.

The company appears to be considering several business models such as one that generates more sales and profits at installation, one that generates sales and profit through operation, and one that generates profit when energy savings or other measures exceed a certain level. The company's next-generation facilities management system, one of its value-added services, leads to less manpower required for commercial facilities. As such, profitability is expected to rise with sales.

Monitoring screens displayed at a large facility in Chiba (operates in parallel with a central monitor)

Source: Shared Research based on company data

Security Services

Security Services (JPYmn)	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY02/21 Act.	FY02/22 Act.
Sales	31,805	34,242	36,622	38,456	41,068	43,290	44,492	44,647	44,393	47,239
YoY	-1.3%	7.7%	7.0%	5.0%	6.8%	5.4%	2.8%	0.3%	-0.6%	6.4%
Operating profit	2,692	2,865	3,102	3,032	3,110	2,857	2,881	3,038	3,307	3,435
YoY	-4.6%	6.4%	8.3%	-2.3%	2.6%	-8.1%	0.8%	5.4%	8.9%	3.9%
Operating profit margin	8.5%	8.4%	8.5%	7.9%	7.6%	6.6%	6.5%	6.8%	7.4%	7.3%

Source: Shared Research based on company data

This segment provides comprehensive security services (i.e., security for facilities, security to handle crowds and traffic, and protection of valuable goods). By combining manual labor and the latest advances in technology, the company provides customized security solutions to clients.

It places security guards at client facilities, and recurring revenue business with ongoing security services is common. This segment outsources most of its work to Aeon Delight Security, a subsidiary. Due to heavy personnel costs for security guards, the operating profit margin is stuck at about 7%.

In the security industry, personnel expenses are on the rise due to chronic labor shortages. To improve profit margins, the company is automating entry/exit management and store opening/closing operations.

The company also offers an attendant security service, which is similar in nature to a concierge service. Attendants are female security guards that also provide information services to patrons. This service was started in an effort to shed the old "security guard" image and provide a more hospitable environment. Although costs will arise from staff training, this business provides high added value.

Cleaning Services

Cleaning Services (JPYmn)	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY02/21 Act.	FY02/22 Act.
Sales	40,519	42,320	44,287	47,870	53,365	55,297	58,185	62,362	62,459	66,963
YoY	1.7%	4.4%	4.6%	8.1%	11.5%	3.6%	5.2%	7.2%	0.2%	7.2%
Operating profit	5,918	5,716	6,289	6,031	6,012	6,228	6,694	6,967	7,324	8,106
YoY	0.6%	-3.4%	10.0%	-4.1%	-0.3%	3.6%	7.5%	4.1%	5.1%	10.7%
Operating profit margin	14.6%	13.5%	14.2%	12.6%	11.3%	11.3%	11.5%	11.2%	11.7%	12.1%

Source: Shared Research based on company data

The company provides cleaning services, mainly in large shopping centers for the Aeon group. Because large commercial facilities tend to have a wide variety of people passing through and frequent layout changes, it is a relatively difficult area of the cleaning industry. Although it is a labor-intensive business, the company has implemented measures to increase efficiency of large machinery such as floor cleaners. These and other initiatives serve to standardize and increase the efficiency of work performed. This is a recurring revenue business and the company has built long-term relationships with about 80% of its customers in this segment.

On an orders-received basis, the business is composed of about 10–20% work performed directly by the company, and 80–90% work performed by outsourcing partners. Primary outsourcing partners are Aeon Delight Connect Co., Ltd. and

Kankyouseibi Co., Ltd. Approximately 30,000 persons are involved in the cleaning services business. In recent years, the company has been working to secure orders in the hygienic cleaning business, previously untapped territory for it, which can lead to high value-added services.

Hygienic cleaning

Contract renewal for hygienic cleaning services at hospitals typically happens every year, so it is difficult to turn it into a recurring revenue business. That said, a limited number of companies have the scale needed to provide bulk cleaning services for major groups with many medical facilities nationwide. Aeon Delight presents proposals capitalizing on its bases nationwide; its name recognition as a publicly traded company and as a member of the Aeon group; its track record with major medical institutions; and the visible quality of its cleaning services.

The company believes the hygienic cleaning business will continue to steadily increase sales. There are more than 1.5mn hospital beds in medical facilities across Japan, out of which the number of hospital beds at medical facilities Aeon Delight has hygienic cleaning contracts with still make up only 2–3%. Aeon Delight began offering hygienic cleaning services in FY02/15 and began providing service to two major medical facilities in April 2015. As of April 2015, the company was providing hygienic cleaning services for 14,000 beds. In 2018, that number has increased to over 25,000 beds.

Since the start of the pandemic, demand has increased for disinfectant cleaning (to prevent infection from spreading), as well as quarantine-related cleaning and special cleaning. The company is providing outside the Aeon group special cleaning services such as New Standard Cleaning. This is a cleaning method with procedural guidelines to maintain a hygienic, attractive environment based on the company's own cleaning service that was previously provided to hospitals.

Japanese hospitals and clinics

Hospitals		Clinics	
As of end-January 2022	Number of beds	As of end-January 2022	Number of beds
8,193	1,580,892	104,376	82,566

Source: Shared Research based on the Ministry of Health, Labour and Welfare's Statistical Survey of Medical Facilities

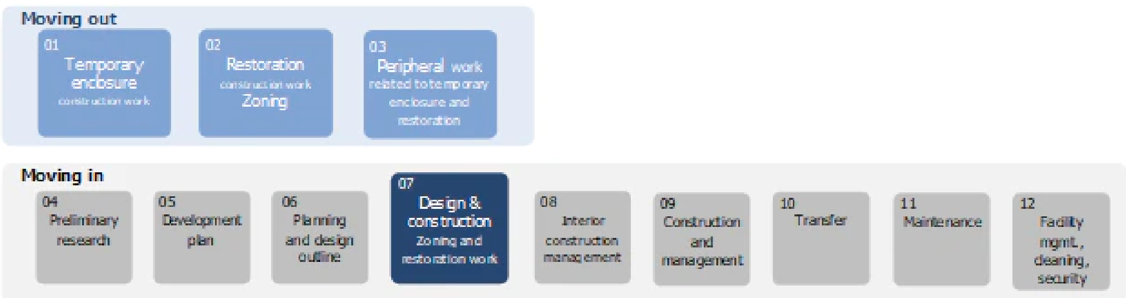
Construction Work

Construction Work	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Sales	53,071	45,630	41,972	43,855	45,814	40,897	41,470	41,844	40,657	43,015
YoY	86.1%	-14.0%	-8.0%	4.5%	4.5%	-10.7%	1.4%	0.9%	-2.8%	5.8%
Operating profit	2,209	2,580	2,807	3,218	3,210	3,305	3,989	3,816	3,880	3,583
YoY	14.1%	16.8%	8.8%	14.6%	-0.2%	3.0%	20.7%	-4.3%	1.7%	-7.7%
Operating profit margin	4.2%	5.7%	6.7%	7.3%	7.0%	8.1%	9.6%	9.1%	9.5%	8.3%

Source: Shared Research based on company data

This segment conducts large-scale renovation, interior design work, restoration, and installation of energy-saving devices (i.e., LED lighting) and solar power systems. This segment generates roughly 60% of its sales from Aeon group companies. Renovation is remodeling (not designing) of Aeon retail locations, such as replacing signage, or modifying retail floor space. In recent years, there has been an increasing amount of work related to changeover of tenants inside Aeon Malls (restoration and new interiors). In March 2021, Aeon Delight absorbed store design specialist U-COM, and the upstream approach has enabled it to win an increasing number of contracts from outside the Aeon group.

Construction work process for commercial facility tenant replacement



Source: Shared Research based on company data

Materials and Supplies Sourcing Services

Materials and Supplies Sourcing	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Sales	39,284	44,543	47,618	50,516	50,740	50,265	51,007	51,125	53,060	56,497
YoY	7.0%	13.4%	6.9%	6.1%	0.4%	-0.9%	1.5%	0.2%	3.8%	6.5%
Operating profit	1,462	2,333	2,111	2,806	2,774	2,868	2,779	2,489	2,467	2,560
YoY	18.5%	59.6%	-9.5%	32.9%	-1.1%	3.4%	-3.1%	-10.4%	-0.9%	3.8%
Operating profit margin	3.7%	5.2%	4.4%	5.6%	5.5%	5.7%	5.4%	4.9%	4.6%	4.5%

Source: Shared Research based on company data

Through efficient logistics, this business reduces costs for intermediate materials used in offices and retail stores. The segment deals in items such as plastic bags, gift bags, clothing, and other consumables (employee stationery, cleaning materials, etc.). The pandemic is pushing up demand for quarantine-related materials such as professional-use masks, gloves, and alcohol, as well as acrylic partitions to prevent droplet dispersion. The company is also strengthening its handling of environmentally-friendly packaging materials.

In this business, where stores running out of inventories of materials is not an option, the company also performs logistics functions for customers. Through efficient logistics operations, the company aims to reduce costs and improve operational efficiency related to the procurement of intermediate materials. Even though this is a business where adding value is difficult, the company maintains an OPM of around 5%.

Vending Machine Services

Vending Machine Services	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Sales	31,200	33,329	34,825	32,741	32,879	32,834	31,955	31,544	25,453	26,353
YoY	-3.3%	6.8%	4.5%	-6.0%	0.4%	-0.1%	-2.7%	-1.3%	-19.3%	3.5%
Operating profit	2,396	3,068	2,965	2,846	2,812	2,105	1,164	1,396	653	608
YoY	2.8%	28.0%	-3.4%	-4.0%	-1.2%	-25.1%	-44.7%	19.9%	-53.2%	-6.9%
Operating profit margin	7.7%	9.2%	8.5%	8.7%	8.6%	6.4%	3.6%	4.4%	2.6%	2.3%

Source: Shared Research based on company data

This segment operates soft drink vending machines. It also creates relaxation areas with foliage plants and air purification equipment.

The company's vending machines stock a variety of products from different manufacturers. About 80% of vending machine sales come from machine in supermarkets belonging to the Aeon group. The remaining 20% of sales came from machines in shopping malls operated by Aeon group and non-Aeon companies. In September 2010, Aeon Delight acquired vending machine operator Certo Corp., which spun off from the trading division of Aeon.

The company operates its own vending machines as well as those owned by partners such as beverage makers' sales companies. Beverage purchasing and vending machine restocking are outsourced to operators, while the company determines locations and coordinates the product lineup. The company's sales are roughly tied to beverage sales, with additional compensation from the manufacturers. Operating profit is the amount left after paying commissions to operators and installation sites.

Support Services

Support Services	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Sales	10,942	13,129	14,406	15,524	18,188	17,325	19,439	18,768	15,837	16,049
YoY	36.1%	20.0%	9.7%	7.8%	17.2%	-4.7%	12.2%	-3.5%	-15.6%	1.3%
Operating profit	741	336	281	-580	-850	-1,466	-2,270	416	-75	441
YoY	137.5%	-54.7%	-16.4%	-	-	-	-	-	-	-
Operating profit margin	6.8%	2.6%	2.0%	-3.7%	-4.7%	-8.5%	-11.7%	2.2%	-0.5%	2.7%

Source: Shared Research based on company data

This segment provides business process outsourcing (BPO), housework support services, business travel services, training services, and staffing services. Much of these support services are conducted by companies acquired through M&A.

The company entered the BPO services market with the acquisition of General Services, Inc. Services that BPO undertake include cost management, salary calculations, administrative functions, social security and welfare, receipt of telephone calls, and system management.

The main subsidiaries in the segment are 1) Aeon Compass: mainly B2B services including Business Travel Management (domestic business trips, support for overseas assignments) and MICE (planning and management of meetings, seminars, trainings), and 2) Aqutia: household support services.

Kajitaku: In 2019, accounting fraud was discovered at subsidiary Kajitaku, which operated storefront promotion and housework support businesses. The company submitted corrected financial statements covering FY02/14 through FY02/18. In February 2020, it spun off the housework support business, which got a new start under the name Aqutia. In June 2020, the company sold the ID photo machine business of Kajitaku (renamed KJS), and in FY02/21 withdrew from the smartphone printing and picture palette businesses of KJS. In February 2021, Aeon Delight conducted an absorption-type merger with KJS and took over the copy machine business, for which some customers still have contracts in force.

Aeon Delight Academy, Co., Ltd. operates the "Aeon Delight Academy Nagahama" in Shiga Prefecture to provide real-world training. It also operates a staffing service for technical professions.

Overseas business

Aeon Delight sees China and ASEAN as main growth drivers. In China, the company mainly operates through its subsidiaries in Suzhou and Wuhan. For now, it plans to target the Yangtze River Delta and surrounding regions to build up its brand power as a company that provides quality facilities management. In the medium term, it plans to expand its business to the northern and southern regions. In ASEAN, the company has subsidiaries in Indonesia, Malaysia, and Vietnam. The Indonesian business purchased in 2018 is the second-largest company in the cleaning industry in the promising Indonesian market. Aeon Delight plans to provide its expertise in other facility services and win outsourcing contracts locally.

China

In October 2022, Aeon Delight made its Chinese subsidiary Aeon Delight (China), whose main line of business was facility management, an investment company, and renamed the subsidiary Aeon Delight (China) Investment Holdings Co., Ltd. The company also increased its stake in the subsidiary.

- Purpose: The company intends to acquire local facility management companies and new businesses that operate in various regions in China to expand its China business. Having made Aeon Delight (China) an investment company, the company can now invest in local companies operating in other industries, thereby further expanding the scope of its China operations. It also increased its stake in the subsidiary to actively carry out M&A activities.

- Outlook: The company targets FY02/25 sales of JPY60.0bn (versus JPY17.0bn in FY02/22) for its China business. Of the JPY60.0bn sales target, the company aims to generate JPY40.0bn through organic growth and JPY20.0bn from acquisitions. It intends to invest in local companies that have expertise and customer bases in the energy and environment-related field, parking lot and parking facility operations, and in fields other than facility management where the company has already developed a business in the country. It aims to grow sales through synergies generated through cross-selling while continuing to push forward with business diversification. Depending on the project, the company's headquarters in Japan may further increase its stake in Aeon Delight (China) Investment Holdings.

- Under the oversight of Aeon Delight China (AD China), Aeon Delight Jiangsu and Wuhan Xiaozhu Property Management focused on bolstering contracts for priority facilities such as medium- to high-end shopping centers, hospitals and nursing homes, and facilities in areas undergoing redevelopment. They are working to expand their business domains to include property management operations (facility maintenance and operation), catering services (peripheral services that accompany property management), cleaning services, and services for residents at nursing homes, while focusing on facility management operations.

- In June 2021, Aeon Delight Jiangsu acquired a 60% stake in Suzhou Nakamura Integrated Facility Management Service (making it a subsidiary), which has a high level of knowledge and success in contracting services for Japanese-owned factories, in order to expand market share in Suzhou where there is significant growth in factories owned by Japanese businesses.

ASEAN

- Malaysia: The company has built a system aimed at increasing contracts with Aeon group facilities.

- Vietnam: Aeon Mall is working to strengthen operations by opening new stores, and the company is enhancing its system accordingly.

- Indonesia: The company currently has contracts with four Aeon group facilities. The group plans to open more stores, so Aeon Delight is sending employees from Japan to set up a system so it can win contracts at these new stores.

Strengths and weaknesses

Strengths

- Strong ties with the Aeon group: Aeon Delight is a subsidiary of Aeon Co., Ltd., and 64.4% of sales were generated from the Aeon group in FY02/22. This provides for stable sales, and the Aeon group's expansion into Asia is also proving to be a positive factor for Aeon Delight's growth. The company is able to leverage economies of scale from the Aeon group, and has accumulated expertise in facilities management from its transactions with Aeon. This provides for a stable recurring-revenue model.

- Industry leader in facilities management: Aeon Delight is the industry leader capable of providing integrated all-in-one building maintenance services such as facilities management, security, cleaning, and renovations that are non-core activities for many companies. Its competitors can only provide one to two of these services (i.e., security or cleaning). The number of companies that can provide one-stop services is limited.

- Ability to generate stable cash flows: Over the past five years, average operating cashflow has been JPY11.3bn per annum, and the company has spent JPY2.7bn per year on the acquisition of tangible fixed assets, generating total cashflow of about JPY8.5bn. The company is using stable cash flow to invest strategically in acquisitions and technological development based on its longer-term vision. If there are no investment outlets that meet its growth strategy, the cash flow funds shareholder returns. Over the past five years, Aeon Delight has spent an average of JPY3.5bn in dividend payments (cash flow basis) yearly. In FY02/19 it spent JPY9.9bn on a share buyback. The dividend payout ratio was 35% in FY02/21, and the company targets a ratio of 40% from FY02/23.

Weaknesses

- Limited organic growth: Aeon Delight depends mainly on the domestic market; overseas sales accounted for just 7.8% of total sales in FY02/22. The markets for its existing businesses in Japan are mature, which is a weakness in terms of the company's growth potential. To sustain growth, Aeon Delight must rely on aggressive development overseas and winning contracts in ancillary businesses as a facilities management company and growing market share.

- Heavy dependence on the Aeon group: Aeon Delight is a consolidated subsidiary of Aeon, and the Aeon group accounted for 64.4% of sales in FY02/22. A drawback of such a strong relationship is that the parent company may ask for support in pursuing its agenda. Recently, Aeon acquired 50% of Tesco Japan, the U.K. supermarket chain operator's Japan retail business. A joint venture company, Aeon Every Co., Ltd. is in charge of supermarket operations. The parent Aeon could ask the company for support in future acquisitions.

- Mature property management market: The property management market is relatively mature. However, small retail stores in urban areas offer growth opportunities given the greater number of customer volume. Many small retailers are renovating their stores and upgrading facilities. Aeon Delight's expertise has been in large facilities, mainly supporting the Aeon group retail stores such as shopping centers and supermarkets. As smaller commercial facilities emerge in large urban areas, the question remains whether the company can successfully adapt its facilities maintenance know-how to this segment of the market. The company may need to look at this segment for growth.

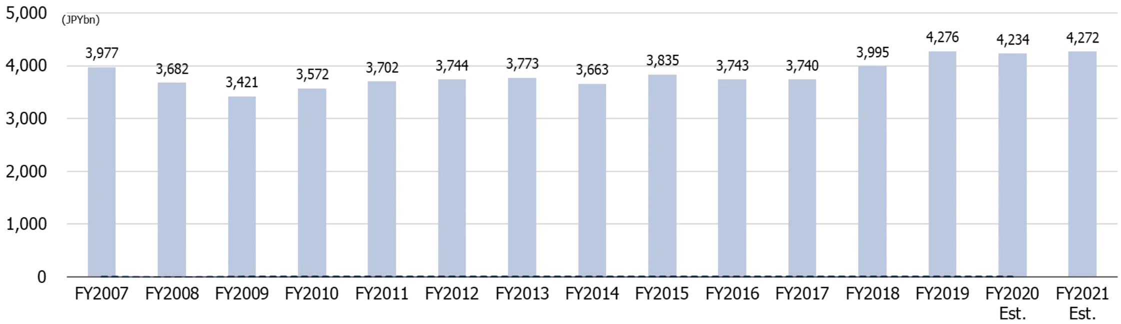
Market and value chain

Market overview

Japan's building maintenance market was worth roughly JPY4.2tn in FY2020, down 1.0% YoY, according to a survey released in October 2021 by Yano Research Institute Ltd.

Building maintenance market includes building cleaning, facilities maintenance, and security services. It also includes repair work, renovation work, and renewal work undertaken by building maintenance companies. But businesses unrelated to building maintenance are not included in the data even though they are undertaken by these companies.

Scale of the building management market (prime contractor basis)



Source: Shared Research based on Yano Research Institute Ltd. materials (October 2021)

Building maintenance services were mainly used by office buildings (21.7%), shops and commercial facilities (18.2%), medical and welfare facilities (10.0%), factories and workplaces (9.5%), and education facilities (9.7%). The company has a significant share of the shop and commercial facilities market, but low shares in office buildings, medical and welfare facilities, and factories and work places, leaving ample scope to grow.

Sales growth rates by end user were down 1.5% YoY for office buildings, down 1.4% YoY for shops and commercial facilities, up 0.1% YoY for medical and welfare facilities, down 2.0% YoY for factories and workplaces, and up 2.9% YoY for education facilities.

Building maintenance market (by building use)

	FY2018	FY2019	FY2020(Est.)
Residential	134.7	151.5	153.6
YoY	7.4%	12.5%	1.4%
Non-residential	3,860.5	4,124.8	4,080.1
YoY	6.8%	6.8%	-1.1%
Office buildings	875.4	933.2	919.4
YoY	6.4%	6.6%	-1.5%
Stores and commercial facilities	736.8	783.2	772.2
YoY	6.5%	6.3%	-1.4%
Educational facilities	403.6	424.1	411.9
YoY	5.2%	5.1%	-2.9%
Medical and welfare facilities	390.8	423.6	424.1
YoY	8.1%	8.4%	0.1%
Factories and workshops	387.4	409.2	401.1
YoY	6.1%	5.6%	-2.0%

Source: Shared Research based on Yano Research Institute Ltd. materials (October 2021)

Aeon group stores by format (domestic and overseas)

	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
GMS	598	617	618	625	626	584	583	612	613	618
Supermarket	1,708	1,977	2,038	2,121	2,130	2,159	2,166	2,228	2,291	2,285
Discount store	152	353	381	530	566	568	587	592	599	605
DIY store	123	122	121	120	119	122	122	120	118	117
Supercenter	26	26	29	28	28	28	27	25	25	25
Department store	1	1	1	1	1	1	1	1	1	1
Specialty store	4,462	4,581	4,683	5,061	4,348	4,332	4,039	3,801	3,515	4,503
Convenience store	3,664	3,853	3,932	4,331	5,261	5,436	5,449	5,350	5,300	4,661
Drugstore and pharmacy			3,347	3,765	3,980	4,376	4,817	2,392	2,599	2,868
Other retail formats	562	756	884	803	856	907	1,015	1,150	1,252	1,342
Financial services	527	641	698	701	705	690	640	658	636	592
Services	1,394	1,519	1,640	1,934	2,013	2,045	2,070	2,016	1,999	1,978
Total	**13,217**	**14,440**	**18,382**	**20,020**	**20,633**	**21,248**	**21,516**	**18,945**	**18,948**	**19,595**
Aeon Mall	62	137	148	161	166	174	180	172	174	202
Aeon Town	115	122	130	134	138	139	140	145	147	150
Total	**177**	**259**	**278**	**295**	**304**	**313**	**320**	**317**	**321**	**352**

Source: Shared Research based on company data

Stores overseas by format

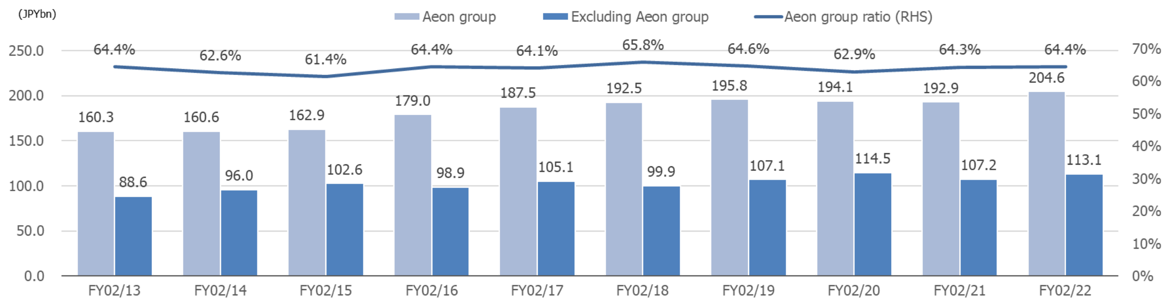
	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
GMS	61	69	77	84	87	94	96	101	103	103
Supermarket	81	95	101	115	173	150	150	125	125	131
Discount store	22	23	24	24	23	21	22	22	22	21
Convenience store	2,294	2,370	2,532	2,840	2,998	3,172	3,252	3,353	3,315	2,711
Drugstore	0	0	0	0	0	0	0	7	10	11
Specialty store	55	61	42	44	52	54	39	5	0	7
Other retail formats	29	29	30	79	97	115	124	148	147	153
Financial services	279	302	339	339	342	324	276	295	269	225
Services	41	95	180	282	335	390	426	446	431	425
Total	**2,862**	**3,044**	**3,325**	**3,845**	**4,107**	**4,320**	**4,385**	**4,502**	**4,422**	**3,787**

Source: Shared Research based on company data

Customers

In FY02/22, Aeon Delight generated almost 64.4% of its sales from the Aeon group companies, including Aeon Retail, Aeon Mall (TSE Prime: 8905), and MaxValu companies. The remainder comes from non-Aeon group customers that include commercial facilities, offices, hotels, medical facilities, schools, factories, warehouses, government offices, and event operators.

Sales composition by customer



Source: Shared Research based on company data

Outside Japan, Aeon Delight seeks to reduce its reliance on the Aeon group to about 40%.

Plans for overseas openings of Aeon Malls

	FY02/21	FY02/22	FY02/23
Overseas (stores)	2	2	1
China (stores)	0	1	0
ASEAN (stores)	2	1	1

Source: Shared Research based on Aeon Mall data

Overseas businesses of the Aeon group

Overseas stores: Aeon Mall	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
Total number of stores	**3**	**5**	**9**	**17**	**19**	**24**	**27**	**30**	**32**	**34**
China	3	4	6	12	13	17	19	21	21	22
ASEAN	-	1	3	5	6	7	8	9	11	12
Vietnam		1	2	3	4	4	4	5	6	6
Cambodia			1	1	1	1	2	2	2	2
Indonesia				1	1	2	2	2	3	4
Total openings	**1**	**1**	**2**	**6**	**1**	**5**	**3**	**3**	**1**	**2**
China	1	1	2	6	1	4	2	2	-	1
ASEAN						1	1	1	1	1
Vietnam								1	1	
Cambodia							1			
Indonesia						1			1	1

Source: Shared Research based on Aeon Mall data

Competition

Aeon Delight derives some 60–70% of its sales from the Aeon group. Within the group, Aeon Delight's share in Aeon Retail is about 80%. The company's share in Aeon Mall is about 60%, while its share in MaxValu companies is between 60% and 70%.

Aeon Delight's competitors include SECOM Co., Ltd. and Sohgo Security Services Co., Ltd. in security services. It competes with Azbil Corporation (TSE Prime: 6845), Nippon Kanzai Co. Ltd. (TSE Prime: 9728), and Tokyu Community Corporation (not listed) in property management services. There are no major competitors that offer cleaning services; Aeon Delight competes with smaller, regional cleaning operators. In construction-related work, Aeon Delight competes with Azbil in the environmental solutions business, while in the energy-saving business, major rivals are NTT Facilities, Inc. (not listed) and Hitachi, Ltd. (TSE Prime: 6501).

Barriers to entry

Property management for residential and small office buildings has relatively low barriers to entry. However, the barriers are high for large facilities given the comprehensive services required. Smaller residential or office building owners are less concerned about having total package of services and usually focus on cleaning or security. However, large facilities require comprehensive services such as maintenance, cleaning, and security, all-in-one. Instead of hiring a contractor for each service, large building owners prefer to contract out these services to one company that is able to provide all of these services in package. Consequently, this enables Aeon Delight to enjoy a relatively high barrier of entry in its market niche, namely servicing large retail stores and office buildings, due to its expertise in providing an all-in-one package of services.

The company's market share within the Aeon group is high. Being a group company, Aeon Delight is well aware of the business practices and facility characteristics that are common throughout the Aeon group and the risk of its competitors gaining a significant portion of the market share is fairly slim.

Financial Statements

Income statement

Income statement	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	**248,876**	**256,654**	**265,572**	**277,926**	**292,607**	**292,396**	**302,915**	**308,582**	**300,085**	**317,657**
YoY	13.2%	3.1%	3.5%	4.7%	5.3%	-0.1%	3.6%	1.9%	-2.8%	5.9%
Cost of sales	218,648	223,409	231,281	243,089	256,871	257,524	267,463	270,011	262,910	278,158
Gross profit	**30,227**	**33,245**	**34,290**	**34,836**	**35,736**	**34,871**	**35,452**	**38,570**	**37,175**	**39,498**
YoY	5.6%	10.0%	3.1%	1.6%	2.6%	-2.4%	1.7%	8.8%	-3.6%	6.2%
Gross profit margin	12.1%	13.0%	12.9%	12.5%	12.2%	11.9%	11.7%	12.5%	12.4%	12.4%
SG&A expenses	16,326	18,622	18,900	20,280	21,596	21,961	22,421	22,569	21,945	23,764
YoY	9.8%	14.1%	1.5%	7.3%	6.5%	1.7%	2.1%	0.7%	-2.8%	8.3%
SG&A ratio	6.6%	7.3%	7.1%	7.3%	7.4%	7.5%	7.4%	7.3%	7.3%	7.5%
Operating profit	**13,901**	**14,622**	**15,390**	**14,556**	**14,139**	**12,909**	**13,030**	**16,001**	**15,230**	**15,733**
YoY	1.0%	5.2%	5.3%	-5.4%	-2.9%	-8.7%	0.9%	22.8%	-4.8%	3.3%
Operating profit margin	5.6%	5.7%	5.8%	5.2%	4.8%	4.4%	4.3%	5.2%	5.1%	5.0%
Non-operating income (expenses)	-9	-22	82	-22	124	472	332	-52	38	56
Recurring profit	**13,892**	**14,600**	**15,472**	**14,534**	**14,263**	**13,381**	**13,362**	**15,949**	**15,268**	**15,789**
YoY	0.8%	5.1%	6.0%	-6.1%	-1.9%	-6.2%	-0.1%	19.4%	-4.3%	3.4%
Recurring profit margin	5.6%	5.7%	5.8%	5.2%	4.9%	4.6%	4.4%	5.2%	5.1%	5.0%
Extraordinary gains (losses)	27	-1,180	-665	-408	-174	-1,135	-195	-401	-4,617	566
Implied tax rate	45.3%	46.1%	44.1%	46.0%	45.9%	42.9%	46.2%	38.3%	-8.6%	35.4%
Net income attributable to non-controlling interests	104	188	310	386	533	598	664	245	-110	-99
Net income	**7,509**	**7,039**	**7,965**	**7,247**	**7,093**	**6,397**	**6,415**	**9,348**	**11,680**	**10,665**
YoY	8.6%	-6.3%	13.2%	-9.0%	-2.1%	-9.8%	0.3%	45.7%	24.9%	-8.7%
Net margin	3.0%	2.7%	3.0%	2.6%	2.4%	2.2%	2.1%	3.0%	3.9%	3.4%

Source: Shared Research based on company data
Note: The company restated prior-year results in June 2019.

Balance sheet

Balance sheet	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Assets										
Cash and deposits	10,014	12,565	15,580	20,386	31,717	39,536	44,233	62,355	59,773	68,282
Accounts receivable	44,673	34,448	35,757	34,328	35,360	35,739	40,089	42,612	39,176	40,708
Allowance for doubtful accounts	-144	-290	-168	-360	-202	-130	-167	-242	-212	-134
Inventories	2,237	2,575	2,663	2,840	3,218	2,623	2,211	1,822	2,006	2,074
Deposits for consumption to subsidiaries and affiliates	18,020	32,420	41,326	37,362	31,713	32,000	16,000	-	-	-
Other	4,523	8,196	8,476	9,634	9,292	8,543	6,405	5,815	9,265	10,083
Total current assets	**79,323**	**89,914**	**103,634**	**104,190**	**111,098**	**118,311**	**108,771**	**112,362**	**110,008**	**121,013**
Buildings	1,089	1,046	1,009	1,629	1,631	1,582	1,479	1,458	1,671	1,629
Facilities and equipment for area management	274	238	211	190	175	-	-	-	-	-
Tools, furniture, and fixtures	2,079	2,487	2,516	2,651	3,307	4,892	5,064	4,846	4,264	3,589
Land	282	278	278	1,978	1,975	1,975	2,032	2,032	2,000	466
Construction in progress	-	-	-	-	-	-	-	-	-	-
Other fixed assets	72	209	345	610	1,974	1,591	1,585	1,334	1,545	1,394
Total tangible fixed assets	**3,796**	**4,258**	**4,361**	**7,061**	**9,064**	**10,041**	**10,161**	**9,671**	**9,481**	**7,078**
Goodwill	10,801	9,399	8,452	7,654	6,813	6,113	6,865	5,975	3,938	3,360
Other	1,520	1,609	1,867	2,352	1,989	1,699	1,338	1,209	1,579	2,293
Total intangible assets	**12,321**	**11,008**	**10,320**	**10,006**	**8,802**	**7,813**	**8,103**	**7,185**	**5,518**	**5,653**
Investment securities	2,973	3,897	3,768	4,463	4,546	5,334	4,256	3,623	3,960	3,720
Deferred tax assets	288	254	284	310	551	330	412	1,763	4,840	2,951
Other	2,196	1,877	2,750	3,896	4,342	3,458	3,264	2,347	2,766	2,470
Allowance for doubtful accounts	-200	-199	-535	-494	-536	-610	-355	-36	-11	-30
Investments and other assets	**5,257**	**5,829**	**6,268**	**8,176**	**8,904**	**8,512**	**7,578**	**7,698**	**11,557**	**9,111**
Total fixed assets	**21,375**	**21,096**	**20,950**	**25,244**	**26,772**	**26,367**	**25,842**	**24,554**	**26,556**	**21,845**
Total assets	**100,699**	**111,010**	**124,584**	**129,434**	**137,870**	**144,678**	**134,614**	**136,917**	**136,565**	**142,859**
Liabilities	-	-	-	-	-	-	-	-	-	-
Accounts payable	24,544	21,876	24,934	28,457	25,114	25,820	25,967	23,388	22,170	22,070
Short-term debt	10	5	-	-	271	225	394	252	299	247
Other	10,401	12,622	15,771	17,377	21,666	18,541	20,137	20,410	17,466	21,575
Total current liabilities	**34,955**	**39,309**	**46,639**	**45,834**	**47,051**	**49,060**	**51,408**	**48,864**	**44,123**	**43,892**
Long-term debt	5	-	-	-	293	-	15	11	-	-
Other	1,190	1,556	2,387	3,925	5,921	6,474	7,652	6,756	4,160	3,544
Total fixed liabilities	**1,195**	**1,556**	**2,387**	**3,925**	**6,214**	**6,474**	**7,667**	**6,767**	**4,160**	**3,544**
Total liabilities	**36,151**	**40,865**	**49,026**	**49,760**	**53,266**	**55,535**	**59,075**	**55,631**	**48,283**	**47,437**
Capital stock	3,238	3,238	3,238	3,238	3,238	3,238	3,238	3,238	3,238	3,238
Capital surplus	18,770	18,818	18,850	18,862	18,949	19,019	13,888	13,880	13,226	13,239
Retained earnings	40,539	45,112	50,505	55,099	59,355	62,756	65,910	72,063	80,344	86,559
Treasury stock	-458	-449	-443	-441	-436	-430	-10,327	-10,208	-10,123	-10,077
Other comprehensive income	992	1,711	1,373	525	799	1,484	466	-86	662	1,619
Share subscription rights	205	165	166	221	263	303	299	186	119	86
Non-controlling interests	1,260	1,547	1,869	2,168	2,434	2,773	2,062	2,213	814	757
Total net assets	**64,547**	**70,145**	**75,558**	**79,674**	**84,604**	**89,143**	**75,539**	**81,286**	**88,281**	**95,421**
Working capital	22,366	15,147	13,486	8,711	13,464	12,542	16,333	21,046	19,012	20,712
Total interest-bearing debt	15	5	-	-	564	225	409	263	299	247
Net cash	28,019	44,980	56,906	57,748	62,866	71,311	59,824	62,092	59,474	68,035
Shareholders' equity	63,082	68,433	73,523	77,285	81,907	86,067	73,178	78,887	87,348	94,578
Equity ratio	62.6%	61.6%	59.0%	59.7%	59.4%	59.5%	54.4%	57.6%	64.0%	66.2%

Source: Shared Research based on company data
Note: The company restated prior-year results in June 2019.

Assets

In order of value, the company's assets are cash and deposits (JPY68.3bn, FY02/22), accounts receivable (JPY40.7bn), tangible fixed assets (JPY7.1bn), and intangible assets (JPY5.7bn). Interest-bearing debt is JPY247mn. The company has a cash-rich balance sheet. Tangible fixed assets and intangible assets are small as the company's business structure does not require a large balance sheet. In FY02/20 the company ended its policy of leaving deposits with Aeon, from a cash governance perspective.

Majority of its investment securities are with Aeon Mall (TSE Prime: 8905), Aeon Hokkaido (TSE Standard: 7512), Aeon Kyushu (TSE Standrd: 2653), Aeon Fantasy (TSE Prime: 4343), and MaxValu companies.

Shareholders' equity

At end-FY02/22, the equity ratio was 66.2%. Although it declined to 54.4% at end-FY02/19 following the restatement of prior-year earnings accompanying the Kajitaku accounting fraud, it subsequently recovered.

Profitability and financial ratios

Profit margins	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Gross profit	30,227	33,245	34,290	34,836	35,736	34,871	35,452	38,570	37,175	39,498
Gross profit margin	12.1%	13.0%	12.9%	12.5%	12.2%	11.9%	11.7%	12.5%	12.4%	12.4%
Operating profit	13,901	14,622	15,390	14,556	14,139	12,909	13,030	16,001	15,230	15,733
Operating profit margin	5.6%	5.7%	5.8%	5.2%	4.8%	4.4%	4.3%	5.2%	5.1%	5.0%
EBITDA	16,138	17,054	17,856	17,014	16,928	16,038	16,391	19,168	18,458	15,733
EBITDA margin	6.5%	6.6%	6.7%	6.1%	5.8%	5.5%	5.4%	6.2%	6.2%	5.0%
Net margin	3.0%	2.7%	3.0%	2.6%	2.4%	2.2%	2.1%	3.0%	3.9%	3.4%
Financial ratios										
ROA (RP-based)	14.4%	13.8%	13.1%	11.4%	10.7%	9.5%	9.6%	11.7%	11.2%	11.3%
ROE	12.5%	10.7%	11.2%	9.6%	8.9%	7.6%	8.1%	12.3%	14.1%	11.7%
Total asset turnover	2.6	2.4	2.3	2.2	2.2	2.1	2.2	2.3	2.2	2.3
Working capital (JPYmn)	22,366	15,147	13,486	8,711	13,464	12,542	16,333	21,046	19,012	20,712
Current ratio	226.9%	228.7%	222.2%	227.3%	236.1%	241.2%	211.6%	229.9%	249.3%	275.7%
Quick ratio	207.6%	201.3%	198.3%	200.1%	209.5%	218.4%	194.8%	214.3%	223.8%	248.0%
OCF / Current liabilities	-12.7%	57.5%	40.1%	22.3%	25.2%	28.2%	24.6%	14.7%	22.4%	28.6%
OCF / Total liabilities	-12.1%	52.3%	35.2%	20.7%	22.0%	24.4%	20.9%	13.2%	21.5%	26.6%
Cash conversion cycle (days)	18.5	22.3	15.4	10.1	9.7	12.4	13.6	18.3	20.8	19.5
Change in working capital	13,319	-7,219	-1,661	-4,775	4,753	-922	3,791	4,713	-2,034	1,700

Source: Shared Research based on company data

Statement of cash flows

Cash flow statement	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities (1)	-4,358	21,359	17,234	10,303	11,703	13,568	12,373	7,371	10,403	12,598
Pre-tax profit	13,920	13,420	14,807	16,526	14,089	12,247	13,166	15,548	10,651	16,355
Depreciation	1,130	1,294	1,341	1,699	2,069	2,414	2,602	2,352	2,427	2,755
Impairment losses	-	678	578	250	122	39	123	175	1,659	441
Amortization of goodwill	1,107	1,138	770	759	720	715	759	815	801	722
Change in working capital	-13,728	10,386	2,008	-552	449	1,035	-53	-4,745	-1,831	-2,311
Income taxes	-6,578	-6,114	-6,615	-6,336	-6,602	-6,115	-5,188	-6,506	-4,838	-2,592
Other	-209	557	4,345	-2,043	856	3,233	964	-268	1,534	-2,772
Cash flows from investing activities (2)	7,086	-16,632	-11,365	-3,255	2,233	-2,666	12,256	13,838	-7,325	-386
Purchase of intangible/tangible fixed assets	-1,607	-1,999	-1,903	-2,414	-4,113	-3,228	-2,059	-2,361	-2,469	-3,478
Proceeds from sale of intangible/tangible fixed assets	147	41	18	116	24	14	15	-	39	3,254
Acquisition of shares in subsidiaries affecting the scope of consolidation	-694	-388	-	-4,771	-	-	-1,516	-	-	-117
Payments of deposit for consumption to subsidiaries and affiliates	-170,520	-212,400	-220,511	-218,798	-229,151	-250,400	-284,000	-192,500	-31,000	-
Collection of deposit for consumption from subsidiaries and affiliates	180,020	198,000	211,605	222,762	234,800	250,113	300,000	208,500	31,000	-
Other	-260	114	-574	-150	673	835	-184	199	-4,895	-45
Free cash flow (1+2)	**2,728**	**4,727**	**5,869**	**7,048**	**13,936**	**10,902**	**24,629**	**21,209**	**3,078**	**12,212**
Cash flows from financing activities	-2,257	-2,475	-2,594	-2,821	-2,400	-3,264	-19,686	-3,392	-5,324	-4,572
Net change in short-term borrowings	-25	-	-	-	219	-28	179	-143	60	-74
Net change in long-term borrowings	-6	-	-	-	324	90	-2	-3	-14	-
Payment of dividends	-2,256	-2,464	-2,573	-2,676	-2,842	-2,996	-3,259	-3,195	-3,397	-4,450
Acquisition of treasury stock	2	57	37	14	28	41	-9,906	109	-	-
Acquisition of shares in subsidiaries not affecting the scope of consolidation	-	-	-	-	-57	-21	-6,458	-	-1,853	-
Other	28	-68	-58	-159	-72	-350	-240	-160	-120	-48
Other	26	99	172	-229	-6	80	-228	-98	32	925
Change in cash and cash equivalent	497	2,351	3,447	3,997	11,530	7,718	4,715	17,719	-2,214	8,564
Cash and cash equivalent (year-end)	9,676	12,028	15,476	19,473	31,004	38,722	43,437	61,151	58,937	67,520

Source: Shared Research based on company data
Note: The company restated prior-year results in June 2019.

Cash flows from operating activities

Cash flows from operating activities for the company are mainly from net income before tax, depreciation, goodwill amortization, and changes to working capital. Fluctuations are comparatively small as the company runs a large proportion of recurring revenue type businesses.

Cash flows from investing activities

Annual spending on acquiring tangible and intangible fixed assets is about JPY3.0bn, small compared to operating cash flow. Because the company is relatively aggressive in acquisitions, in some years there is a significant increase in share purchases.

Cash flows from financing activities

The main element in the company's financing cash flows is dividend payments. There were significant outflows in FY02/19 including JPY9.9bn to buy back the company's shares and additional amounts to make consolidated subsidiaries fully owned.

Cash conversion cycle	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
Accounts receivable turnover	6.6	6.5	7.6	7.9	8.4	8.2	8.0	7.5	7.3	8.0
Days in accounts receivable	**55.7**	**56.3**	**48.2**	**46.0**	**43.5**	**44.4**	**45.7**	**48.9**	**49.7**	**45.9**
Inventory turnover	116.2	92.9	88.3	88.3	84.8	88.2	110.7	133.9	137.4	136.4
Days in inventory	**3.1**	**3.9**	**4.1**	**4.1**	**4.3**	**4.1**	**3.3**	**2.7**	**2.7**	**2.7**
Accounts payable turnover	9.1	9.6	9.9	9.1	9.6	10.1	10.3	10.9	11.5	12.6
Days in accounts payable	**40.3**	**37.9**	**36.9**	**40.1**	**38.1**	**36.1**	**35.3**	**33.4**	**31.6**	**29.0**
Cash conversion cycle (days)	**18.5**	**22.3**	**15.4**	**10.1**	**9.7**	**12.4**	**13.6**	**18.3**	**20.8**	**19.5**

Source: Shared Research based on company data

Days in accounts receivable are longer than days in accounts payable (including notes payable and electronically recorded obligations), which means that working capital will increase and operating cash flow will slow in the short term during the business expansion. Accounts receivable are mainly from Aeon group companies, while accounts payable are with various suppliers, such as soft drink beverage suppliers.

ROE and dividends

	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
ROE	**12.5%**	**10.7%**	**11.2%**	**9.6%**	**8.9%**	**7.6%**	**8.1%**	**12.3%**	**14.1%**	**11.7%**
Net margin	3.0%	2.7%	3.0%	2.6%	2.4%	2.2%	2.1%	3.0%	3.9%	3.4%
Total asset turnover	2.57	2.42	2.25	2.19	2.19	2.07	2.17	2.27	2.19	2.27
Financial leverage (equity multiplier)	1.61	1.61	1.66	1.68	1.68	1.68	1.75	1.79	1.65	1.54
ROA (RP-based)	**14.4%**	**13.8%**	**13.1%**	**11.4%**	**10.7%**	**9.5%**	**9.6%**	**11.7%**	**11.2%**	**11.3%**
ROIC	**13.4%**	**13.5%**	**13.1%**	**12.1%**	**11.5%**	**10.2%**	**10.9%**	**14.1%**	**12.4%**	**11.8%**
NOPAT	8,245	9,064	9,540	9,368	9,464	8,925	9,040	11,101	10,567	10,916
Interest-bearing deb + Net assets	61,400	67,356	72,854	77,616	82,421	87,268	82,658	78,749	85,065	92,124
ROIC (before tax)	22.6%	21.7%	21.1%	18.8%	17.2%	14.8%	15.8%	20.3%	17.9%	17.1%
Operating profit margin	5.6%	5.7%	5.8%	5.2%	4.8%	4.4%	4.3%	5.2%	5.1%	5.0%
Sales / Invested capital	4.05	3.81	3.65	3.58	3.55	3.35	3.66	3.92	3.53	3.45

Source: Shared Research based on company data

Dividends

		FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)		Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Total dividends	a)	2,413	2,519	2,625	2,731	2,890	3,207	3,114	3,246	4,099	4,201
Total treasury stock acquired	b)	1	1	1	-	-	1	9,906	-	-	-
Total returns to shareholders	c) = a) + b)	2,414	2,520	2,626	2,731	2,890	3,208	13,020	3,246	4,099	4,201
Net income attributable to parent company shareholders	d)	7,509	7,039	7,965	7,247	7,093	6,397	6,415	9,348	11,680	10,665
Dividend payout ratio	a) / d)	32.1%	35.8%	33.0%	37.7%	40.7%	50.1%	48.5%	34.7%	35.1%	39.4%
Total shareholder return ratio	c) / d)	32.1%	35.8%	33.0%	37.7%	40.7%	50.1%	203.0%	34.7%	35.1%	39.4%
EPS	(JPY)	143.2	134.2	151.7	138.0	135.0	121.7	122.9	187.2	233.7	213.3
Dividend per share	(JPY)	46.0	48.0	50.0	52.0	55.0	61.0	63.0	65.0	82.0	84.0
Dividend on equity ratio	a) / f)	4.0%	3.8%	3.7%	3.6%	3.6%	3.8%	3.9%	4.3%	4.9%	4.6%

Source: Shared Research based on company data

Shareholder returns

THe company had planned to achieve a dividend payout ratio of 40% by FY02/24, but it has since brought forward this date to FY02/23. In FY02/19, the company spent JPY9.9bn to buy back its own shares.

Aeon Delight's stance on capital policy

- The company will use proactive investments to achieve sustainable growth. It will work to boost shareholder value in the longer term and increase returns to shareholders as the company grows. Further, the company views return on equity (ROE) as an important benchmark of capital efficiency, and is aiming to maintain a level of 12% through FY02/24.
- The company will place importance on the balance in the distribution of annual profit between growth investments and shareholder returns and has a standard stable dividend payout ratio of 40%.

Other information

History

Date		Description
April	1973	Nichii Japan Development Co., Ltd. established in Higashi, Osaka
February	1976	Changed name to Japan Maintenance Co., Ltd., following absorption-type merger with Nichii Maintenance Co., Ltd.
September	2006	Following absorption-type merger with Aeon Techno Service Co., Ltd., Japan Maintenance changed name to Aeon Delight Co., Ltd.
November	2007	Wholly owned subsidiary Aeon Delight (Beijing) Co., Ltd. (now Aeon Delight (China) Co., Ltd.) established
October	2008	Acquires 40% of shares in Kankyouseibi Co., Ltd. (Utsunomiya, Tochigi) and made it affiliate
April	2009	Acquires 40% of shares in Do Service Co., Ltd. (Nishinari, Osaka) and made it affiliate
September	2010	Absorption-type merger with Certo Corp., supplier of vending services to business supply companies
April	2011	Acquires 90% of shares in Kajitaku Inc. (Chuo, Tokyo) and made it subsidiary
May		Acquired additional shares in A to Z Service Co., Ltd. (Shinjuku, Tokyo) and made it subsidiary
December		With 70% stake, established joint venture FMS Solution Co., Ltd. (Mihama, Chiba) with Vinculum Japan Corporation (now VINX Corp.)
March	2012	Established wholly owned subsidiary, Aeon Delight (Malaysia) Sdn. Bhd.
August		Aeon Delight (Beijing) Co., Ltd. (now Aeon Delight (China) Co., Ltd.) and Tianjin Teda Co., Ltd. established joint venture, Aeon Delight (Tianjin) Co., Ltd.
October		Acquired 53.7% of shares in General Services, Inc. (Chiyoda, Tokyo) and made it subsidiary
October		Acquired 54.9% of shares in Aeon Compass Co., Ltd. (Mihama, Chiba) via third-party allocation and made it subsidiary
December		Established A-Life Support Co., Ltd. (Chuo, Tokyo) a 85.8% owned joint venture with Familynet Japan Corporation
December		Acquired 51% of shares in Aeon Delight Sufang (Suzhou) Comprehensive Facility Management Service Co., Ltd. (now Aeon Delight (Jiangsu)) and made it subsidiary
January	2013	Established wholly owned subsidiary Aeon Delight (Vietnam) Co., Ltd.
July		Acquired 51% of shares in Wuhan Xiaozhu Comprehensive Facility Management Service Co., Ltd. and made it subsidiary
November		Established Kikugawa-Ishiyama Solar Co., Ltd. (Kikugawa, Shizuoka), a 37% owned joint venture with Recycle One Co., Ltd. (now Renova, Inc.) and one other partner; Kikugawa-Horinouchiya Solar Co., Ltd., a 37% owned joint venture with Recycle One and two other partners
December	2015	Acquired shares in Hakuseisha Co., Ltd. (Chiyoda, Tokyo) via tender offer and made it subsidiary
March	2016	Acquired remaining VINX Corp. stake in FMS Solution Co., Ltd. via tender offer and made it wholly owned subsidiary
December		Acquired remaining Familynet Japan Corporation stake in A-Life Support Co., Ltd. in September 2016, and conducted absorption-type merger
March	2017	Established wholly owned subsidiary Aeon Delight (Shanghai) Management Co., Ltd.
April		Wuhan Xiaozhu Comprehensive Facility Management Service Co., Ltd. established wholly owned subsidiary Wuhan Xiaozhu Hotel Management Service Co., Ltd.
June		Absorption-type mergers with FMS Solution Co., Ltd. and Aeon Delight Seres Co., Ltd.
April	2018	Established Aeon Delight DeepBlue Technology (Shanghai) Co., Ltd., a 65% owned joint venture with DeepBlue Technology Co., Ltd.
May		Acquired 100% of shares in U-COM Co., Ltd. (Minato, Tokyo) and made it subsidiary
November		Acquired additional shares in Aeon Delight (Jiangsu) Comprehensive Facility Management Service Co., Ltd. and Wuhan Xiaozhu Comprehensive Facility Management Service Co., Ltd., and made them wholly owned subsidiaries
December		Acquired 90% of shares in PT Sinar Jernih Sarana, and made it subsidiary
February	2020	Conducted incorporation-type company split of Kajitaku's housework support business, which was transferred to Aqutia Co., Ltd., a newly established wholly owned subsidiary
February	2021	Absorbed KJS Co., Ltd. (formerly Kajitaku Co., Ltd.)
March		Do Service Co., Ltd. was merged into A to Z Service Co., Ltd., and the name of the surviving company was changed to Aeon Delight Connect Co., Ltd.
		Merged with U-COM Co., Ltd. in an absorption-type merger
November		Transferred all stake in Aeon Delight Jiangsu, Wuhan Xiaozhu, and Aeon Delight (Shanghai) to Aeon Delight (China) as a contribution in kind

Source: Shared Research based on company data

Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
Aeon Co., Ltd.	27,613	55.2%
The Master Trust Bank of Japan, Ltd. (Trust account)	3,439	6.9%
Aeon Delight Business Partners Stockholding Association	1,187	2.4%
SSBTC CLIENT OMNIBUS ACCOUNT	914	1.8%
The Nomura Trust & Banking Co.(Trust account)	711	1.4%
Custody Bank of Japan, Ltd. (Trust account)	696	1.4%
The Bank of New York Mellon Corporation 140044	526	1.1%
Aeon Delight Employees Stockholding Association	507	1.0%
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY	389	0.8%
Custody Bank of Japan, Ltd.(Trust account 4)	367	0.7%

Source: Shared Research based on company data
(As of end- February 2022)

Corporate governance

(As of May 2022)

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Board
Controlling shareholder	Y
Parent company ticker	Aeon Co., Ltd. 8267
Directors	
Number of directors (per Articles of Incorporation)	20
Directors' term of office (per Articles of Incorporation)	1
Number of directors	8
Outside directors	4
Independent outside officers	4
Audit & Supervisory Board	
Existence of Audit & Supervisory Board	Y
Number of Audit & Supervisory Board members per Articles of Incorporation	5
Number of members of Audit & Supervisory Board	4
Outside members of Audit & Supervisory Board	3
Independent outside officers	2
General shareholders meeting	
Participation to electronic voting platform	Y
Preparation of convening notices in English	Y
Investor relations	
Corporate disclosure policy	Y
Regular briefings for individual investors	Y
Briefings by representative directors	Y
Regular briefings for analysts and institutional investors	Y
Online access to IR documents	Y
Dedicated IR section and/or staff	Y
Other current assets	
Foreign shareholding ratio	10–20%
Independent officers	6
Implementation of measures regarding director incentives	Stock option
Disclosure of individual director's compensation	N
Policy to determine amount and calculation method of remuneration	Y
Corporate takeover defenses	N

Source: Shared Research based on company data

Top management

President and CEO: Kazumasa Hamada (born in 1964)

President and CEO Kazumasa Hamada joined Jusco Co., Ltd. (currently Aeon Co., Ltd.) in 1987. Appointed as head of management planning department, Posful Corp. (currently Aeon Hokkaido Corp.) in 2006 and executive officer in 2007; regional office manager of Hokuriku, Shinetsu Regional Company in February 2011 and executive officer in March that year. In 2013 he was appointed director and control & accounting officer of Aeon Co., Ltd. In 2015, he was named regional office manager of Kitakanto and Niigata Company of Aeon Retail Co., Ltd. and director and senior managing officer of Aeon Retail. In 2017 he became senior managing executive officer at Aeon Retail. In March 2018 he was dispatched to Aeon Delight Co., Ltd. as an advisor, before being appointed to his current position as president and CEO of Aeon Delight in May 2018. In December 2018 he was appointed representative commissioner at PT Sinar Jernih Sarana. In June 2019 he was appointed chief administrative officer, head of business administration division, and head of finance division of Aeon Delight. He has held his current position since April 2020.

Employees

At end-FY02/22, Aeon Delight had 20,200 employees (20,117 at end-FY02/21) and an average of 7,556 temporary employees (7,191) on a consolidated basis. At the parent level, there were 4,174 employees (4,118) and 2,862 temporary employees (2,915).

In FY02/22, the average age, average length of employment, and average annual salary on a parent basis were as follows:

- Average age: 45.9 years
- Average length of employment: 11.5 years
- Average annual salary: JPY5.0mn

In the Aeon group, the Aeon Delight Union (4,870 members) has been organized and belongs to the Aeon Delight Labor Union and the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers' Unions (UA

ZENSEN. The Aeon group adopts a union shop system.

Union shop system: Under this system, an employer requires its employees to join a union within a certain period of employment. If an employee does not join the union, withdraws from the union, or is expelled from the union, the employer is obliged to dismiss the employee. Unlike a closed shop system that employs only union members, the union shop system does not require employees to join a union in order to be hired. On the other hand, an open shop system does not require union membership of employees, leaving it up to their free will.

Investor relations

Aeon Delight holds earnings briefings twice a year (following half-year and full-year business results).

By the way

Corporate social responsibility (CSR) activities

The company's management principle calls for the ongoing pursuit of "environmental value" for customers and local communities. In 2021, the company established its Basic Policies for Sustainability in accordance with this management principle. These policies stipulate that the company shall contribute to the achievement of a decarbonized society, support biodiversity conservation, and facilitate resource recycling.

Included below are some examples of efforts the company is performing to improve the global environment.

Proposals concerning energy conservation at facilities

The company offers proposals that it believes will reduce overall facility power consumption by combining its expertise with systems for conserving energy consumed through facility operations. These systems include LED and other lighting equipment capable of substantially reducing power usage, as well as energy-saving equipment such as air conditioning equipment, refrigerated display cases, etc. The company helps its customers reduce their CO2 emissions and energy costs while contributing to the decarbonization of society.

Renewable energy-related business development

Through its power supply services, the company provides commercial facilities, office buildings, medical institutions, and other extra-high and high-voltage facilities with inexpensive, high-quality, and stable electricity. At the same time, it is striving to prevent global warming by offering CO2 Emission Reduction Plan and 100% Renewable Energy Plan.

Environmentally-friendly product proposals in materials business

The company is promoting the use of biomass plastic, recycled plastic, and traceable paper.

Participation in Aeon 1% Club

Aeon 1% Club supports projects to protect the environment, boost international cultural and human exchange, promote regional cultural and social activities, and donate to welfare projects. It is an initiative under which group companies contribute 1% of their pretax profits so that these activities can be maintained regardless of the companies' business performances. In addition to providing children with opportunities to think about environmental issues, the company is involved in a number of social contribution activities, including support for school construction and teacher training in Southeast Asia and for the reconstruction of Shuri Castle in Okinawa.

Tree planting through Aeon Environmental Foundation

The Aeon Environmental Foundation, which celebrated its 30th anniversary in 2020, has been engaged in projects to address current global environmental issues. One representative example of the foundation's activities is the Aeon Forest Program, an ongoing tree-planting project. The foundation is also quite active outside of Japan, where it has conducted its Project to Revitalize the Forests at the Great Wall of China (a tree planting and growing activity) while also participating in tree planting activities in countries including Vietnam, Cambodia, and Malaysia.

"Clean Day" on the 11th Day of Each Month

On the 11th of every month, all of the company's employees conduct ecologically- and locally-themed community contribution activities (focused on improving environmental conditions and giving back to the community, respectively).

Acquisition of Eco Mark certification for Cleaning Services

In 2022, the Japan Environment Association (JEA) granted the company Eco Mark certification for its Cleaning Services. The Eco Mark is an environmental label issued by JEA that indicates products and services that have a low environmental impact throughout their life cycles (from production to disposal) and are useful in terms of environmental conservation.

In addition, Aeon Delight's logo is a mascot named "Gu Jo-Kun," derived from "a good job!" and symbolizes that the company wishes to make all people happy.

Historical financial statements

1H FY02/23 results

- Sales: JPY147.7bn (+0.7% YoY, +0.9% based on the previous accounting standard)
- Operating profit: JPY6.6bn (-21.7% YoY)
- Recurring profit: JPY6.6bn (-22.2% YoY)
- Net income attributable to owners of the parent: JPY4.3bn (-22.0% YoY)

The company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) effective Q1 FY02/23. As a result, revenue recognition standard was changed for some operations of the Facilities Management, Materials and Supplies Sourcing Services, and Vending Machine Services segments. Due to the adoption of the new accounting standard, 1H sales were reduced by JPY17.7bn, cost of sales by JPY17.6bn, and operating profit, recurring profit, and pre-tax profit by JPY4mn each. The balance of retained earnings at the beginning of the fiscal year was reduced by JPY1.1bn.

YoY comparisons in this report have been calculated after retroactively applying the new accounting standard to FY02/22 results.

- Sales were up 0.7% YoY. Sales increased in five segments—Facilities Management, Security Services, Materials and Supplies Sourcing Services, Vending Machine Services, and Support Services—due to an increase in the share of existing customer wallets on the back of strengthened account management and sales activities, an increase in newly contracted facilities, and lessened impact from the COVID-19 pandemic. Meanwhile, sales fell in Cleaning Services due to a decline in demand for cleaning with alcohol disinfectants and in Construction Work due to postponement or cancellation of capex plans.

- Gross profit: Gross profit fell 4.2% YoY to JPY19.6bn, with the GPM also down 0.7pp YoY to 13.3%, due primarily to a drop in GPM in Cleaning Services and Materials and Supplies Sourcing Services. In Cleaning Services, GPM fell in reaction to elevated demand for relatively high-margin services, such as disinfectant cleaning for facilities that have been exposed to COVID-19, seen a year ago. In Materials and Supplies Sourcing Services, a rise in procurement costs driven by soaring raw material and logistics costs depressed GPM.

- SG&A expenses: SG&A expenses were JPY13.0bn (+8.1% YoY), and the SG&A ratio was 8.8% (+0.6pp YoY). The rise in SG&A expenses was attributed to upfront expenditures including capital, personnel, and digitalization investments the company made as initially planned. In personnel investment, the company expanded hiring of both new graduates and mid-career candidates, and strengthened employee training.

Net income attributable to owners of the parent fell due to a decline in operating profit. Non-operating income/expenses and extraordinary gains/losses had only a marginal impact on earnings.

Impact from the external enviornment

The impact of changes in the external environment, including rising crude oil prices and forex fluctuations, had a marginal impact on the cost of sales and SG&A expenses. Meanwhile, earnings contributions from overseas operations expanded due to a weaker yen, which provided a JPY100mn boost to 1H operating profit. The company expects these contributions to be greater in 2H.

Recent initiatives

Made a Chinese subsidiary an investment company

In October 2022, Aeon Delight made its Chinese subsidiary Aeon Delight (China), whose main line of business was facility management, an investment company, and renamed the subsidiary Aeon Delight (China) Investment Holdings Co., Ltd. The company also increased its stake in the subsidiary.

- Purpose: The company intends to acquire local facility management companies and new businesses that operate in various regions in China to expand its China business. Having made Aeon Delight (China) an investment company, the company can now invest in local companies operating in other industries, thereby further expanding the scope of its China operations. It also increased its stake in the subsidiary to actively carry out M&A activities.

- Outlook: The company targets FY02/25 sales of JPY60.0bn (versus JPY17.0bn in FY02/22) for its China business. Of the JPY60.0bn sales target, the company aims to generate JPY40.0bn through organic growth and JPY20.0bn from acquisitions. It intends to invest in local companies that have expertise and customer bases in the energy and environment-related field, parking lot and parking facility operations, and in fields other than facility management where the company has already developed a business in the country. It aims to grow sales through synergies generated through cross-selling while continuing to push forward with business diversification. Depending on the project, the company's headquarters in Japan may further increase its stake in Aeon Delight (China) Investment Holdings.

Collaboration with Kao Professional Services Co., Ltd.

In October 2022, the company announced the start of collaboration with Kao Professional Services Co., Ltd. to develop the new Infectious Disease Risk Assessment Service, with the aim of supporting companies and organizations in the prevention of infectious diseases.

- Kao Professional Services: A wholly owned subsidiary of Kao Corporation (TSE Prime: 4452), a major daily goods manufacturer in Japan. Kao Professional Services manufactures and sells products and provides consulting services for hygiene management for operators of restaurants, hospitals and long-term care facilities, and hotels.

- Collaboration overview: Kao Professional Services will utilize its knowledge of infection risk assessment developed through its hygiene management business. Aeon Delight will leverage its expertise and service development capabilities accumulated through providing cleaning solutions to customers. The two companies aim to develop a new service through which they assess hygiene risks and provide solutions based on behavioral analysis in various situations, including public spaces and living areas.

Share buyback

In October 2022, the company announced a share buyback. The share buyback was in line with the company's goal of improving capital efficiency through implementing a flexible capital policy in response to changes in the business environment and enhancing shareholder returns.

- Type of shares to be acquired: Common stock of the company
- Total number of shares to be acquired: 1,500,000 shares (maximum; 3.00% of shares outstanding, excluding treasury stock)
- Total value of shares to be acquired: JPY5.3bn (maximum)
- Period of acquisition: October 5, 2022 to October 4, 2023

Progress versus full-year company forecast

Versus the full-year FY02/23 company forecast, 1H sales were 47.6% (51.6% of full-year results in 1H FY02/22, based on the previous accounting standard), operating profit 38.8% (53.6%), recurring profit 38.8% (53.8%), and net income 40.5% (52.1%).

Sales were largely in line with plan, while profits lagged the plan. All profit categories from the operating line down fell short of their respective targets due to a decline in highly profitable minor repair and maintenance work in Construction Work and higher procurement costs in Materials and Supplies Sourcing Services.

Initiatives aimed at achieving full-year targets

The company aims to grow sales in all segments for the full year by strengthening proposal-based sales, primarily in Construction Work where recovery is being delayed. It also intends to implement cost-cutting measures to meet the full-year operating profit target.

- Energy saving proposals: The company will strengthen proposals highlighting energy-saving benefits in Construction Work. Specifically, it will make proposals that can contribute to reducing energy costs and environmental burden, including LED lighting and automatic air-conditioning control services, as well as the sale of non-CFC cases, for commercial facilities with high electricity demand, amid rising electricity and other energy costs due to soaring crude oil prices. Through these measures, the company aims to recover earnings in Construction Work.

- Proposals to meet safety and security demand: In Construction Work, the company will propose safety measures for facilities, such as the installation of U-shaped poles in parking lots of commercial facilities to prevent vehicles from

- crashing into stores. It will also make other proposals to enhance safety and security of facilities, aimed at preventing accidents and preparing them for a natural disaster.

- Minor repair projects: In Facility Management, Construction Work, and Cleaning Services, the company will step up efforts to make proposals for minute, detailed work (minor repairs, cleaning, etc.) besides contracted work necessary for facility maintenance and management. By focusing on making proposals related to energy savings, safety and security, compliance, and hygiene, the company aims to enhance the closing rate, or the probability of its proposals being accepted by customers. Minor repair work refers to irregular, small, detailed work for contracted facilities. While sales per project are small for the minor repair work compared with other contracted projects, many are highly profitable and orders are frequent, and hence are expected to contribute to earnings and profitability growth.

Quarterly results

- Q1 FY02/23: Sales were JPY71.8bn (+0.9% YoY), and operating profit was JPY3.3bn (-12.0% YoY). The decline in operating profit was attributed to an increase in SG&A expenses, as the company incurred upfront costs—including capital, personnel, and digitalization investments—as initially planned. By segment, sales grew in Facilities Management, Security Services, Cleaning Services, Materials and Supplies Sourcing Services, and Support Services. Operating profit increased in Facilities Management, Vending Machine Services, and Support Services.

- Q2 FY02/23: Sales amounted to JPY75.9bn (+0.6% YoY) while operating profit dipped 29.3% YoY to JPY3.3bn. The drop in operating profit was due to an increase in SG&A expenses as the company continued to incur upfront costs in the form of capital, personnel, and digitalization investments as it did in Q1. By segment, sales fell in Cleaning Services due to a falloff in demand for cleaning services using alcohol disinfectants, and sales were also down in Materials and Supplies Souring Services. Meanwhile, sales grew in Vending Machine Services owed to extreme heat. Operating profit rose in Facilities Management and Vending Machine Services. The rate of decline in operating profit widened in Security Services, Cleaning Services, and Construction Work due to sluggish demand for high-margin services. Operating profit also fell by a greater margin in Materials and Supplies Sourcing Services due to higher procurement costs.

Segment trends

In 1H FY02/23, sales increased YoY in the five segments other than Construction Work and Cleaning Services. Operating profit grew in Facilities Management, Vending Machine Services, and Support Services, while it fell in Security Services, Cleaning Services, Construction Work, and Materials and Supplies Sourcing Services.

Facilities Management

- Sales: JPY32.3bn (+4.0% YoY; +4.2% YoY based on the previous accounting standard)
- Operating profit: JPY2.8bn (+7.7% YoY)

Sales and profit in the segment grew due to an increased share of wallets, driven by growth in renewal contracts and in orders for various maintenance services.

Sales growth was attributed to new contracts in 1H for building maintenance work for new Aeon group stores as well as non-group facilities, and contributions from facilities contracted in 2H FY02/22 (facilities of non-Aeon group manufacturers and financial institutions). The company's share of existing customer wallets increased, in part due to its account management initiatives. Also contributing to the increased share of wallets were new contracts for retailers and manufacturers that operate multiple outlets, and stores, factories, and offices of corporate customers.

- Account management: Instead of communicating with customers on a segment basis as in the past, the company now appoints account managers for key clients and centrally manages customer information across segments. It was able to expand transaction volume by deepening account managers' understanding of customers and various industries, and made progress in improving customer satisfaction and referring customers to other segments. It is working to provide services across the segments in a single package (for example, Construction Work carries out an order associated with Facilities Management), and to provide the same services regardless of region to clients operating nationwide. These efforts have contributed to the company's increased share of wallets.

- Area management: In March 2021, Aeon Delight set up customer service centers at all eight branches in Japan and rolled out remote support systems for customer facilities. The company also installed security cameras and sensors at facilities under management to automate on-site management tasks and save labor. In addition to setting up such a system, the company adopted an area management strategy, which involves the sharing of facility management personnel in a given area with reference to customers' needs and attributes of each facility and region, and this led to cost reductions through labor savings and automation. The company first introduced the strategy primarily for Aeon Retail stores among the several thousand facilities under contract. The company targets to have 360 area-managed facilities and reduce facility management personnel by 180 by the end of FY02/24. Progress toward these targets was largely in line with plan as of end-1H FY02/23, with 248 facilities (versus 178 at end-FY02/22) covered by the area management strategy and facility management personnel down by 141 (115).

Outlook for 2H

For 2H, the company expects to maintain sales growth comparable to that of 1H. It expects newly contracted facilities in 1H to contribute to earnings throughout the year. On the profit front, OPM is projected to improve in 2H as area management initiatives and measures to cut outsourcing costs bear fruit, and also due to a falloff in one-time expenses booked in 1H. To reduce outsourcing costs, the company is considering to change or consolidate contract facility inspectors, and negotiate prices.

Further, the company intends to accelerate the adoption of the area management strategy nationwide. At facilities under area management in Hokkaido, the use of surveillance cameras, smart meters, temperature and humidity sensors, and other technologies is contributing to labor savings for on-site operations. In 2H, the company intends to introduce these technologies to all facilities under its management throughout Japan, with cost savings expected to materialize from FY02/24 onward.

Security Services

- Sales: JPY24.1bn (+2.0% YoY)
- Operating profit: JPY1.4bn (-15.2% YoY)

Sales increased YoY, driven by an increase in the number of customer companies as the company won new contracts for government buildings, commercial facilities, and condominiums among others in China. In Japan as well, newly contracted facilities, including new Aeon group stores and non-Aeon group facilities (automakers, hospitals, hotels, commercial complexes, and business centers of financial institutions), and facilities contracted in 2H FY02/22 contributed to sales growth. The company captured a larger share of customer wallets and acquired new customers through reinforcing account management.

Operating profit fell YoY. Profitability fell due in part to a decline in orders for security cameras mainly from the Aeon group. Aeon group is striving to cut costs amid the pandemic, and as one of its cost-cutting measures, it is refraining from replacing or installing additional security cameras. Under these circumstances, to improve profitability, the company continued negotiations to optimize unit prices and worked to automate systems to handle tasks such as facility entry/exit management and store opening/closing.

Outlook for 2H

The company expects sales to remain on an uptrend in 2H as well, on contributions from newly contracted facilities in 1H. It also expects OPM to improve in 2H. Costs incurred in Q1 for the launch of services for newly contracted facilities were a one-time factor, and efforts to automate systems for facility entry/exit management and store opening/closing as well as negotiations aimed at optimizing unit prices are expected to begin bearing fruit.

Cleaning Services

- Sales: JPY33.8bn (-1.0% YoY)
- Operating profit: JPY3.3bn (-22.2% YoY).

Sales were flat YoY despite a falloff in demand for disinfectant cleaning, quarantine-related cleaning, and special cleaning services which increased a year ago due to the pandemic, as recurring contracts for new facilities both in and outside the Aeon group increased. The company also worked to introduce and expand special cleaning services at customers outside the Aeon group (including financial institutions, manufacturers, retailers, and hospitals), such as New Standard Cleaning, a cleaning method for maintaining a hygienic, attractive environment developed based on the company's proprietary cleaning services previously provided to hospitals.

Operating profit was down YoY due to a decline in OPM attributable to a drop in orders for high-margin cleaning services using alcohol disinfectants.

Outlook for Q2 onward

For 2H, the company expects sales to increase YoY, supported by contributions from recurring contracts acquired in 1H. It aims to strengthen account management for major corporations and expand areas where it can win contracts. Further, by utilizing its expertise acquired through providing sanitary cleaning services for hospitals and the New Standard Cleaning service, it plans to provide Healthcare Solutions that raise hygiene standards. Inbound tourists are projected to increase in 2H, and so the company will focus on providing these solutions to hotels.

Contracts for high-margin special cleaning services were down in 2H FY02/22, and hence the company expects YoY decline in 2H FY02/23 to be smaller.

Construction Work

- Sales: JPY23.4bn (-5.8% YoY)
- Operating profit: JPY1.4bn (-37.5% YoY).

Sales were down YoY due to delays in some construction work caused by shortages and delayed procurement of construction materials, such as parts and air conditioning equipment, against a backdrop of the COVID-19 pandemic and the Russian invasion of Ukraine. Further, orders declined as some retailers cut back on their capital spending in light of uncertainties in the external environment and soaring electricity and other costs. Orders were also hurt by customers' cancellation or postponement of capex plans, as well as their cutting back on minor repair and maintenance works.

Operating profit fell YoY, due to lower sales and rising raw material prices. The drop in orders for high-margin minor repair and maintenance work depressed OPM.

Outlook for Q2 onward

Sales and profit are projected to increase in 2H and for the full year.

Some Aeon group store facilities were damaged by the earthquake that struck off the coast of Fukushima Prefecture in March 2022. The company received orders for restoration-related work for the facilities damaged by the earthquake, and expects to book sales for most of these orders in Q3. In FY02/22 as well, there was an earthquake off the coast of Fukushima Prefecture (in February 2021), which also resulted in an increase in restoration work-related sales, but these sales were booked in Q2 FY02/22. For this reason, the company expects a YoY increase in Q3 FY02/23 sales.

The company expects projects that were delayed in 1H to contribute to earnings in the full-year. It intends to step up efforts to offer services that can contribute to lowering electricity costs and environmental burden, including LED lighting and automatic air-conditioning control services, as well as selling non-CFC cases, for commercial facilities with high electricity demand amid rising electricity costs.

On the profit front, the company is seeing an increase in material prices. It will work to reduce costs by enhancing the accuracy of its construction cost estimates and by strengthening cost negotiations. It will also strengthen efforts to acquire high-margin construction projects.

Materials and Supplies Sourcing Services

- Sales: JPY20.5bn (+1.2% YoY; +1.6% YoY based on the previous accounting standard)
- Operating profit: JPY994mn (-27.0% YoY)

Sales increased YoY, as the company focused on increasing its share within the Aeon group. The company expanded business with companies that have newly joined the Aeon group: Fuji Retailing Co., Ltd. (TSE Prime: 8278), which runs supermarkets in the Chugoku/Shikoku region, and Can Do Co., Ltd. (TSE Standard: 2698), which has a nationwide chain of 100-yen shops. From existing customers, it won contracts to source new materials and supplies. Sales to non-Aeon group customers also grew, thanks in part to the sale of building maintenance-related materials, such as materials for floor cleaning and waxing, at a reasonable price.

Operating profit declined on lower OPM, as the company failed to sufficiently pass on higher costs for packing and other materials caused by soaring crude oil prices and higher raw material and logistics costs to selling prices.

Outlook for 2H

The company expects to maintain sales growth on an increase in the number of contracts. It expects OPM to improve, as it is making progress in negotiating with customers to raise prices to better reflect higher cost of sales.

Vending Machine Services

- Sales: JPY4.8bn (+0.3% YoY; +0.5% YoY based on the previous accounting standard)
- Operating profit: JPY556mn (+57.3% YoY)

Sales were flat YoY, despite a recovery in customer footfall at commercial facilities where the company has installed vending machines, as recovery in demand for beverages sold by these vending machines was delayed due to consumer behavior changes caused by the pandemic. Sales grew in Q2, however, on the back of increased beverage sales owing to a recovery in out-of-home activities and extreme heat in July—August 2022. Operating profit grew thanks to lower depreciation, as the company booked impairment losses for loss-making machines in Q4 FY02/22.

Outlook for 2H

The company will continue installing more of its multi-brand vending machines (which offer beverages from several different brands) to improve profitability per machine. It recorded impairment losses for loss-making machines in FY02/22, and expects this to contribute to improved earnings throughout FY02/23.

Support Services

- Sales: JPY8.9bn (+10.7% YoY)
- Operating profit: JPY279mn (+9.5% YoY)

Sales were up YoY. Business trip demand increased in travel-related services, and the company won contracts for on-site shipping operations for newly opened Aeon Mall stores. Outside the Aeon group, the company worked to expand services that were compatible with its other businesses to address outsourcing needs related to the management and operation of contracted facilities and their surroundings (e.g., operation of venues for new employee welcoming ceremonies and employee training, and operations peripheral to building maintenance). The company also acquired new contracts in China, including for operations peripheral to building management and support services for new building constructions.

Operating profit grew YoY due to higher sales and profit generated by subsidiary Aeon Compass, which operates a travel business, from posting losses previously due to the pandemic.

Outlook for 2H

The company expects higher sales and operating profit driven by an increase in the number of contracts for domestic business trips as the pandemic settles down.

Overseas business (within each segment)

- Sales: JPY15.3bn (+30.2% YoY)
- Operating profit: JPY790mn (-7.9% YoY)

Earnings of the overseas business are included in each segment. The company operates the Facilities Management, Security Services, Cleaning Services, and Support Services businesses overseas. Aeon group companies comprise roughly half of its customers.

Sales increased in China and the ASEAN region.

China

Sales grew 34.0% YoY to JPY10.6bn, benefiting from consolidation of Zhejiang Metelan Property Management, which was made a subsidiary in March 2022, and an increase in the number of contracted facilities managed by Aeon Delight Jiangsu (government facilities, offices, commercial facilities, etc.). The company won contracts for new facilities in Security Services, Cleaning Services, and Support services, and worked to capture a larger share of customer wallets.

Operating profit fell YoY due to an increase in SG&A expenses as the company hired additional personnel to strengthen governance.

The company is actively seeking out M&A and partnership opportunities to develop specialty, expand business domains, and strengthen customer base. In March 2022, it acquired a local company (Zhejiang Metelan Property Management) that manages and operates healthcare facilities under contract in Zhejiang and Jiangxi provinces. In October 2022, the company made Aeon Delight (China) an investment company, making it easier to enter into cross-industry partnerships.

ASEAN

Sales were up in all ASEAN countries in which the company operates, as the economies that had been stagnant amid the pandemic began to recover. The company made preparations to establish a head office for the ASEAN business in Malaysia to reinforce group governance and develop a new growth strategy for the region as a whole. The company's ASEAN business has governance issues, more so than the China business, and so the company dispatched personnel from Japan to address these issues and strengthen governance of the local business.

- Malaysia: Sales jumped 43.1% YoY to JPY1.0bn, and operating profit also increased YoY. Sales grew as the company secured contracts for various services including facility management, repair, and cleaning and disinfecting from existing Aeon Malaysia stores for which the company initially won contracts at end-FY02/22. Despite higher personnel expenses on increased headcount, profit grew supported by higher sales. Hourly wages were on an uptrend due to labor shortages caused by stricter border controls imposed on immigrants and foreign workers amid the COVID-19 pandemic, but hourly wages are gradually coming down to the pre-pandemic levels as border regulations are relaxed.

- Vietnam: Sales rose 11.3% YoY to JPY1.8bn, and operating profit was also up YoY. Aeon Mall plans to accelerate store openings in Vietnam between 2025 and 2026 in target areas, and the company accordingly is strengthening its local business structure to capture demand anticipated to arise from the new stores. The company expects results to improve in 2H, as the pandemic is winding down and Aeon Mall is opening more stores in Vietnam and Cambodia.

- Indonesia: Sales amounted to JPY2.0bn (+24.8% YoY), but the company posted an operating loss. Sales grew as the company won contracts for Aeon Mall stores, but operating profit fell into the red due to higher personnel expenses on expanded efforts to improve the work environment in compliance with the revised local labor law. The increase in personnel expenses stemming from the revised law may also affect earnings in FY02/24. Indonesia is a larger market within the ASEAN region, and the company has access to the customer base of a cleaning company it purchased in the country in 2018. It is building local infrastructure by dispatching staff from Japan with an eye toward expanding contracts with Aeon group facilities.

Key initiatives for FY02/23

In FY02/23, Aeon Delight will carry out initiatives to realize the basic policies under its medium-term management plan: "customer-oriented management," "promotion of digital transformation (DX)," and "group management." The company will also step up M&A efforts, both in Japan and overseas.

Customer-oriented management

A KPI for customer-oriented management is to generate 40.0% of sales outside the Aeon group in FY02/24. (This figure was 35.6% as of end-FY02/22 and 35.7% for FY02/21.) This figure rose to 36.3% as of end-1H FY02/23, thanks to contributions from Facilities Management.

In FY02/22, the company assigned account managers to key customers. This approach created a system for managing customer information centrally. By using account managers to build stronger customer relationships, the company has also increased its share of customers outside the Aeon group.

- Reorganizing and strengthening sales function: In April 2022, the company carried out structural reforms to reorganize and strengthen its sales function. It reorganized business areas covered by its total eight branch offices nationwide to better reflect and accommodate regional characteristics. It also redefined the responsibilities of each branch office position from the operation to management levels. Further, the company held training sessions for branch managers to enhance their job proficiency and awareness as a manager of each regional unit. Having reorganized its sales structure, the company aims to increase transactions with both existing and new customers, through reinforcing its account management initiatives for existing customers and making customer-centric proposals.

- Developing healthcare solutions: In this category, the company makes proposals for raising facilities' hygiene levels. Its solutions leverage the track record and expertise the company has built up through hospital-oriented "hygienic cleaning" and New Standard Cleaning. In April 2022, the company set up an organization tasked with honing proposals. With this

- organization, the company intends to expand proposals to non-group customers such as hospitals and hotels, and to win new contracts.

- Developing solutions to support decarbonization: In April 2022, the company set up a dedicated team that takes an integrated approach toward helping customers decarbonize their operations. Efforts to date have focused on individual steps for shrinking a customer's carbon footprint: installation of energy saving equipment and other energy-saving operations at individual facilities. Going forward, the company plans to expand into such areas as buying renewable energy and issuing environmental certifications.

Promotion of digital transformation

KPIs for the promotion of digital transformation (DX) are to achieve OPM of 6.0% by FY02/24, maintain ROE of 12%, introduce area management (sharing of facility management personnel between facilities located in a predetermined area) at 360 facilities, reduce the number of people assigned to specific facilities by 180, and reassign 20% of headquarters staff to direct departmental positions. As of end-1H FY02/23, OPM was 4.5%, the number of facilities under area management was 248 (+70 versus end FY02/22), and reductions in the number of people assigned to specific facilities was 141 (+26).

- Promoting use of the Aeon Delight platform: The company plans to use the platform to collect customer feedback, facility conditions, market trends in customers' industries, and external information about weather and disasters. It will use AI to analyze and process the data and efficiently share them across the service network of the company, group companies, and partner companies. In FY03/23, the company plans to raise process efficiency by promoting links between the Aeon Delight platform and various systems, and enhance the value of data by increasing the volume of information. In addition, in the sales department the company aims to make proposals from the customer's perspective. To do so, the company will utilize data from the Aeon Delight platform, as well as visualizing and sharing information about customer requests.

Group management

KPIs for group management to be achieved by FY02/24 are JPY65.0bn in sales at group companies in Japan, overseas sales accounting for more than 8% of the total, and a shift toward shared services at the finance and accounting departments of group companies in Japan. In 1H, overseas sales accounted for 10.4% of total sales, up from 7.8% at end-FY02/22. The rise in the share of overseas sales was also attributed to the depreciation of the yen.

- Promote growth of each group company in Japan by strengthening intragroup cooperation

    - Aeon Compass: In addition to handling overseas and domestic travel, the subsidiary also plans and manages events. Performance recovered as it worked to capture recovering business trip demand and demand arising from the resumption of events.

    - Building maintenance subsidiary: Building maintenance subsidiaries include Aeon Delight Connect (core subsidiary in the small and medium-sized facilities market), Hakuseisha (provides cleaning, hygiene management, security, facility management, and construction services), and Kankyouseibi (handles facility management, construction, security, cleaning management, designated manager operations). The business environment remained harsh, due to customers' postponement or brining forward of capital spending in light of changes in their operating environment, shortages and procurement delays of materials and equipment caused by the pandemic and Russia—Ukraine war, and higher initial spending for newly contracted facilities. Under these circumstances, in FY02/23, the company intends to strengthen Aeon Delight Connect's foundations by promoting cooperation, such as sharing personnel more actively, and strengthening sales at companies operating small- and medium-sized stores nationwide. The company also plans to strengthen the construction department through U-COM (designs commercial facilities and handles interior construction), which it absorbed in March 2021.

- Overseas, expand business in China and strengthen management base in the ASEAN region

    - China: The company aims to achieve organic growth by bolstering contracts for priority facilities such as medium- to high-end shopping centers, hospitals and nursing homes, and facilities in areas undergoing redevelopment. Aeon Delight also seeks to acquire and form business alliances with local companies that provide security and cleaning services for local hospitals and the factories of Japanese companies. In these ways, it aims to acquire expertise, expand its business domain, and strengthen its customer base.

    - ASEAN region: The company expects business to grow in this region in the medium to long term, due to the opening of new Aeon group stores and the expansion of Japanese companies. Aeon Delight is moving toward the

- establishment of an ASEAN regional headquarters to strengthen the management base and help it plan growth strategies in individual countries.

Q1 FY02/23 results

- Sales: JPY71.8bn (+0.9% YoY, +0.6% based on the previous accounting standard)
- Operating profit: JPY3.3bn (-12.0% YoY)
- Recurring profit: JPY3.3bn (-12.0% YoY)
- Net income: JPY2.2bn (-10.4% YoY)

The company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) effective from Q1 FY02/23. As a result, revenue recognition standard was changed for some of the Facilities Management, Materials and Supplies Sourcing Services, and Vending Machine Services segments. Due to the adoption of the new accounting standard, Q1 sales and cost of sales were each reduced by JPY8.4bn while operating profit, recurring profit, and pre-tax profit each increased by JPY10mn; the balance of retained earnings at the beginning of the fiscal year was reduced by JPY1.1bn.

YoY comparisons in this report have been calculated after retroactively applying the new accounting standard to FY02/22 results.

- Sales were up 0.9% YoY, due to an increase in the share of customers' wallet on the back of strengthened account management and advances made in acquiring new customers. Meanwhile, recovery was delayed in Construction Work, with the segment posting a YoY decline in sales.

- Gross profit: Gross profit was JPY9.7bn (-0.2% YoY), and GPM was 13.6% (-0.1pp YoY). In Q1 FY02/22, demand for services with relatively high GPM such as disinfectant cleaning for facilities with COVID-19 exposures increased. Q1 FY02/23 results were affected by the falloff of such demand, but any negative impact from this factor was largely offset by GPM growth in Facilities Management, Support Services, and Vending Machine Services.

- SG&A expenses: SG&A expenses were JPY6.5bn (+7.1% YoY), and the SG&A expenses ratio was 9.0% (+0.5pp YoY). The rise in SG&A expenses were attributed to upfront spending including capital expenditures as well as investments in personnel and digital transformation the company made as initially planned. External factors, such as the rising crude oil price and changes in operating environment, only had a minor impact.

Net income attributable to owners of the parent fell due to a decline in operating profit. Non-operating income/expenses (JPY18mn) and extraordinary gains/losses (JPY6mn) had only a marginal impact on earnings.

Progress versus full-year company forecast

Versus the full-year FY02/23 company forecast, Q1 sales were 23.2% (25.1% of full-year results in Q1 FY02/22, based on the previous accounting standard), operating profit 19.3% (23.7%), recurring profit 19.4% (23.8%), and net income 21.0% (23.5%). Progress rates in Q1 fell short of those in Q1 FY02/22.

Sales and earnings fell short of projections in Construction Work due to delayed business recovery, but results were in line with plan in other segments.

Initiatives aimed at achieving full-year targets

The company aims to grow sales in all segments for the full year by strengthening proposal-based sales, primarily in Construction Work where recovery is delayed.

- Energy saving proposals: The company will strengthen proposals highlighting energy-saving benefits in Construction Work. Specifically, it will make proposals that can contribute to reducing energy costs and environmental burden, including LED lighting and automatic air-conditioning control services, as well as the sale of non-CFC cases, for commercial facilities with high electricity demand, amid rising electricity and other energy costs due to soaring crude oil prices. Through these measures, the company aims to recover earnings in Construction Work.

- Proposals to meet safety and security demand: In Construction Work, the company will propose safety measures for facilities, such as the installation of U-shaped poles in parking lots of commercial facilities to prevent vehicles from crashing into stores. It will also make other proposals to enhance safety and security of facilities, aimed at preventing accidents and preparing them for a natural disaster.

- Minor repair projects: In Facility Management, Construction Work, and Cleaning Services, the company will step up efforts to make proposals for minute, detailed work (minor repairs, cleaning, etc.) besides contracted work necessary for facility maintenance and management. By focusing on making proposals related to energy savings, safety and security, compliance, and hygiene, the company aims to enhance the closing rate, or the probability of its proposals being accepted by customers. Minor repair work refers to irregular, small, detailed work for contracted facilities. While sales per project are small for the minor repair work compared with other contracted projects, many are highly profitable and orders are frequent, and hence are expected to contribute to earnings and profitability growth.

Segment trends

Sales increased YoY in the five segments other than Construction Work and Vending Machine Services, owing to an increase in the share of wallets of existing customers on strengthened account management and advances made in new customer acquisitions. Overall sales were up only 0.9% YoY, however, due to delays in earnings recovery in Construction Work.

Operating profit fell YoY, due to an increase in initial spending required for the launch of operations at newly contracted facilities in Security Services, a decline in high-margin projects in Cleaning Services, and lower sales in Construction Work.

Facilities Management

- Sales: JPY16.1bn (+4.0% YoY; +3.9% YoY based on the previous accounting standard)
- Operating profit: JPY1.4bn (+7.6% YoY)
- OPM: 8.5% (+0.3pp YoY)

Sales and profit in the segment grew owing to an increased share of customer wallets driven by growth in orders for various maintenance services and new orders for contract management.

Sales growth was attributed to orders for building maintenance work for new Aeon group stores as well as non-group facilities, and contributions from facilities contracted in 2H FY02/22 (facilities of non-Aeon group manufacturers and financial institutions). The company's share of existing customer wallets increased, in part due to its account management initiatives. It won new contracts for retailers and manufacturers that operate multiple outlets, and stores, factories, and offices of corporate customers.

- Account management: Instead of communicating with customers on a segment basis as in the past, the company now appoints account managers for key clients and centrally manages customer information. It aims to expand transaction volume by deepening its understanding of customers and various industries, and accordingly improve customer satisfaction and refer customers to other segments. To achieve this, it plans to provide services across the segments in a single package (for example, Construction Work carries out an order associated with Facilities Management), and provide the same services regardless of region to clients operating nationwide.

- In March 2021, Aeon Delight set up customer service centers at all eight branches in Japan and rolled out remote support systems. The company also installed systems and sensors at facilities under management to promote labor saving. This infrastructure enabled cost reductions through labor-saving and automation based on area management, which involves the sharing of facilities management personnel in a set area. The company first launched the area management concept with a focus on Aeon Retail stores among the several thousand facilities under contract. The company targets to have 360 area-managed facilities and reduce 180 facilities management personnel by the end of FY02/24. Progress toward these targets was largely in line with plan, with 231 facilities (versus 178 at end-FY02/22) covered by the area management scheme and facilities management personnel down by 135 (115) as of end-Q1 FY02/23

Outlook for Q2 onward

From Q2 onward, the company expects to maintain a sales growth rate comparable to that of Q1. It expects newly contracted facilities in Q1 to contribute to earnings throughout the year. OPM is also projected to improve from Q2 onward, as the effects of area management initiatives and outsourcing expense cuts become apparent.

Security Services

- Sales: JPY11.9bn (+2.5% YoY)
- Operating profit: JPY733mn (-7.9% YoY)
- OPM: 6.1% (-0.7pp YoY)

Sales increased YoY. The number of customer companies under contract increased owing to the acquisition of new contracts for new Aeon group stores as well as non-group facilities (hospitals, hotels, commercial facilities, administrative centers of financial institutions). The company's share of existing customer wallets increased supported by enhanced account management, and progress was made in new customer acquisitions. In China as well, the number of customer companies under contract grew as the company won contracts for new facilities such as commercial facilities and condominiums.

Operating profit fell YoY, as subsidiary Aeon Delight Security incurred higher initial expenses for facilities, equipment, and personnel for the launch of services at newly contracted facilities. Labor cost is rising in the security sector due to chronic worker shortages. The company continued negotiations to optimize unit prices and worked to automate systems to handle tasks such as facility entry/exit management and store opening/closing, with the aim of improving profitability.

Outlook for Q2 onward

The company expects the rate of sales growth from Q2 onward to be slightly higher than that of Q1, due to contributions from newly contracted facilities. It also expects OPM to improve, as the expenditures accompanying the launch of services for newly contracted facilities incurred in Q1 were a one-time factor and the efforts to automate systems for facility entry/exit management and store opening/closing are expected to begin bearing fruit.

Cleaning Services

- Sales: JPY16.6bn (flat YoY)
- Operating profit: JPY1.7bn (-14.8% YoY)
- OPM: 10.1% (-1.8pp YoY)

Sales were flat YoY despite a fall in demand for disinfectant cleaning, quarantine-related cleaning, and special cleaning services which increased a year ago due to the pandemic, as recurring contracts for new facilities both in and outside the Aeon group increased. The company also worked to introduce and expand special cleaning services at customers outside the Aeon group such as New Standard Cleaning, a cleaning method to maintain a hygienic, attractive environment based on the company's own cleaning service that was previously provided to hospitals.

Operating profit was down YoY, due to lower OPM attributable to a decline in orders for high-margin cleaning and disinfectant services using alcohol.

Outlook for Q2 onward

Achieving YoY sales growth in 1H may be difficult due to the absence of special demand that boosted results a year ago, but the company expects 2H sales to expand YoY on the back of an increase in the number of new recurring contracts. OPM is expected to fall below the previous year's level.

Construction Work

- Sales: JPY10.3bn (-8.2% YoY)
- Operating profit: JPY694mn (-35.0% YoY)
- OPM: 6.7% (-2.8pp YoY)

Sales were down YoY, due to delays in some construction work caused by shortages and procurement delays of construction materials, such as parts and air conditioning equipment, against a backdrop of the COVID-19 pandemic and Russian invasion of Ukraine. Further, orders declined as some retail companies cut back on their capital spending in light of uncertainties in the external environment and soaring electricity and other costs.

Operating profit fell YoY, due to lower sales and rising raw material prices.

Outlook for Q2 onward

Some Aeon group store facilities were damaged by the earthquake that struck off the coast of Fukushima Prefecture in March 2022. The company received orders for restoration-related work, and expects to book sales for these orders in Q2 and Q3. In FY02/22 as well, there was an earthquake off the coast of Fukushima Prefecture (in February 2021), which resulted in an increase in restoration work-related sales in Q2 FY02/22. However, this year's sales from restoration work are expected to be higher YoY.

The company expects projects that were delayed in Q1 to contribute to earnings in the full-year. Further, it intends to step up efforts to offer services that can contribute to reduced electricity costs and environmental burden, including LED lighting and automatic air-conditioning control services, as well as the sale of non-CFC cases, for commercial facilities with high electricity demand, amid rising electricity costs. These measures are expected to contribute to earnings in Q3 and Q4.

On the profit front, the company is seeing an increase in material prices. It will work to reduce costs by enhancing the accuracy of its construction cost estimates and by strengthening cost negotiations. It will also strengthen efforts to acquire high-margin construction projects.

Materials and Supplies Sourcing Services

- Sales: JPY10.2bn (+3.0% YoY; +2.6% based on the previous accounting standard)
- Operating profit: JPY615mn (-6.3% YoY)
- OPM: 6.0% (-0.6pp YoY)

Sales increased YoY. The company expanded business with companies that have newly joined the Aeon group: Fuji Retailing Co., Ltd. (TSE Prime: 8278), which runs supermarkets in the Chugoku/Shikoku region, and Can Do Co., Ltd. (TSE Standard: 2698), which has a nationwide chain of 100-yen shops. With existing customers, it won orders to source new materials and supplies.

Operating profit declined on lower OPM, as the company failed to sufficiently pass on higher costs for packing and other materials caused by soaring crude oil prices and higher raw material and logistics costs to selling prices.

Outlook for Q2 onward

The company expects to maintain sales growth, supported by an increase in the number of contracts. To improve operating profit, it is negotiating with customers to pass on the increase in costs to selling prices.

Vending Machine Services

- Sales: JPY2.2bn (-0.1% YoY; -2.9% YoY based on the previous accounting standard)
- Operating profit: JPY208mn (+79.3% YoY)
- OPM: 9.5% YoY (-4.2pp YoY)

Sales were flat YoY, as recovery in demand for beverages sold by vending machines located in commercial facilities was delayed due to changes in consumer purchasing behavior brought about by the pandemic. Profit grew, however, owing to a decline in depreciation, as the company booked impairment losses for loss-making machines in Q4 FY02/22.

Outlook for Q2 onward

The company will continue installing more of its multi-brand vending machines (which offer beverages from several different brands) to improve profitability per machine. It recorded impairment losses for loss-making machines in FY02/22, and expects this to contribute to improved earnings throughout FY02/23.

Support Services

- Sales: JPY4.5bn (+8.3% YoY)
- Operating profit: JPY162mn (+36.1% YoY)
- OPM: 3.6% (+0.7pp YoY)

Sales and profit increased YoY. Business trip demand increased in travel-related services, and the company won contracts for in-facility shipping operations for newly opened Aeon Mall stores. It worked to expand services that were compatible with the company's other businesses to address outsourcing needs related to the management and operation of contracted facilities and their surroundings. The company also acquired new contracts in China.

Outlook for Q2 onward

The company expects higher sales and operating profit, based on its projection that contracts for domestic business trip will increase if the pandemic comes under control.

Overseas business (January–March 2022)

- Sales: JPY7.1bn (+26.8% YoY)
- Operating profit: JPY380mn (-9.5% YoY)

Earnings of the overseas business are included in each segment. The company operates the Facilities Management, Security Services, Cleaning Services, and Support Services businesses overseas. Aeon group companies comprise roughly half of its customers.

Sales increased in China and the ASEAN region.

China

Sales grew 34.3% YoY to JPY5.0bn while operating profit fell YoY. Orders for contracted operations declined as commercial facilities in Wuhan were temporarily closed due to the pandemic, but Aeon Delight Jiangsu secured a higher number of facility contracts (offices, commercial facilities, and government affiliated facilities). Further, the company worked to expand its share of customer wallets in the region.

Profit fell YoY due to a one-time increase in infection countermeasure-related costs due to the spread of COVID-19 in Wuhan.

The impact of lockdowns in Shanghai was limited, as the company had only a few facilities under contract in the city.

- The company is actively seeking out M&A and partnership opportunities to develop specialty, expand business domains, and strengthen customer base. In March 2022, Aeon Delight China acquired a local company (Zhejiang Metelan Property Management) that manages and operates healthcare facilities under contract in Zhejiang or Jiangxi provinces.

ASEAN

Sales in the ASEAN region as a whole grew thanks to the company's efforts to expand orders in each country it operates in. The company began preparing to establish a head office in the region, with the aims of reinforcing group governance and forming a new growth strategy for the region as a whole.

- Malaysia: Sales came to JPY450mn (+148% YoY), and operating profit also increased YoY. Sales grew as the company secured contracts for services including facility management, repairs, and cleaning and disinfecting services from existing Aeon Malaysia stores for which the company initially won contracts at end-FY02/22. Despite higher personnel expenses on increased headcount, profit grew backed by higher sales.

- Vietnam: Sales were JPY800mn (-5.7% YoY), and operating profit fell YoY. Performance deteriorated as restaurants and other facilities under contract were not able to operate normally due to the spread of COVID-19. Aeon Mall is stepping up store rollouts in Vietnam, so the company is strengthening its local sales structure. The company expects results to improve in 2H, as the pandemic is winding down and Aeon Mall is opening more stores in Vietnam and Cambodia.

- Indonesia: Sales amounted to JPY930mn (+22.3% YoY), but the company posted an operating loss. Sales grew as the company won contracts for Aeon Mall stores, but operating profit fell into the red due to higher personnel expenses on expanded efforts to improve the work environment in compliance with the revised local labor law. The increase in personnel expenses stemming from the revised law may also affect earnings in FY02/24. Indonesia is a larger market within the ASEAN region, and the company has access to the customer base of a cleaning company it purchased in the country in 2018. It is building local infrastructure by dispatching staff from Japan with an eye toward expanding contracts with Aeon group facilities.

Key initiatives for FY02/23

In FY02/23, Aeon Delight will carry out initiatives to realize the basic policies under its medium-term management plan: "customer-oriented management," "promotion of digital transformation (DX)," and "group management." The company will also step up M&A efforts, both in Japan and overseas.

Customer-oriented management

A KPI for customer-oriented management is to generate 40.0% of sales outside the Aeon group in FY02/24. (This figure was 35.6% as of end-FY02/22 and 35.7% for FY02/21.) This figure rose to 36.3% as of end-Q1 FY02/23, thanks to contributions from Facilities Management.

In FY02/22, the company assigned account managers to key customers. (Account managers are salespeople in charge of handling all transactions for a specific customer.) This approach created a system for managing customer information centrally. By using account managers to build stronger customer relationships, the company has increased its share of customers outside the Aeon group.

- Reorganizing and strengthening sales function: In April 2022, the company carried out structural reforms to reorganize and strengthen its sales function. It reorganized business areas covered by its total eight branch offices nationwide to better reflect and accommodate regional characteristics. It also redefined the responsibilities of each branch office position from the operation to management levels. Further, the company held training sessions for branch managers to enhance their job proficiency and awareness as a manager of each regional unit. Having reorganized its sales structure, the company aims to increase transactions with both existing and new customers, through reinforcing its account management initiatives for existing customers and making customer-centric proposals.

- Developing healthcare solutions: In this category, the company makes proposals for raising facilities' hygiene levels. Its solutions leverage the track record and expertise the company has built up through hospital-oriented "hygienic cleaning" and New Standard Cleaning. In April 2022, the company set up an organization tasked with honing proposals. With this organization, the company intends to expand proposals to non-group customers such as hospitals and hotels, and to win new contracts.

- Developing solutions to support decarbonization: In April 2022, the company set up a dedicated team that takes an integrated approach toward helping customers decarbonize their operations. Efforts to date have focused on individual steps for shrinking a customer's carbon footprint: installation of energy saving equipment and other energy-saving operations at individual facilities. Going forward, the company plans to expand into such areas as buying renewable energy and issuing environmental certifications.

Promotion of digital transformation

KPIs for the promotion of digital transformation (DX) are to achieve OPM of 6.0% by FY02/24, maintain ROE of 12%, introduce area management (sharing of facility management personnel between facilities located in a predetermined area) at 360 facilities, reduce the number of people assigned to specific facilities by 180, and reassign 20% of headquarters staff to direct departmental positions. In Q1, OPM was 4.6%, the number of facilities under area management was 231 (+53 versus end FY02/22), and the number of people assigned to specific facilities was 135 (+20).

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Group management

KPIs for group management to be achieved by FY02/24 are JPY65.0bn in sales at group companies in Japan, overseas sales accounting for more than 8% of the total, and a shift toward shared services at the finance and accounting departments of group companies in Japan. In Q1, overseas sales accounted for 9.0% of total sales, up from 7.8% at end-FY02/22.

- Promote growth of each group company in Japan by strengthening intragroup cooperation

    - Aeon Compass: In addition to handling overseas and domestic travel, the subsidiary also plans and manages events. Performance recovered as it worked to capture recovering business trip demand and demand arising from the resumption of events.

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- Overseas, expand business in China and strengthen management base in the ASEAN region

- China: The company aims to achieve organic growth by bolstering contracts for priority facilities such as medium- to high-end shopping centers, hospitals and nursing homes, and facilities in areas undergoing redevelopment. Aeon Delight also seeks to acquire and form business alliances with local companies that provide security and cleaning services for local hospitals and the factories of Japanese companies. In these ways, it aims to acquire expertise, expand its business domain, and strengthen its customer base.

- ASEAN region: The company expects business to grow in this region in the medium to long term, due to the opening of new Aeon group stores and the expansion of Japanese companies. Aeon Delight is moving toward the establishment of an ASEAN regional headquarters to strengthen the management base and help it plan growth strategies in individual countries.

FY02/22 results

- Sales: JPY317.7bn (+5.9% YoY)
- Operating profit: JPY15.7bn (+3.3% YoY)
- Recurring profit: JPY15.8bn (+3.4% YoY)
- Net income: JPY10.7bn (-8.7% YoY)

Sales expanded in all seven segments, and operating profit rose in five of the seven, with Construction Work and Vending Machine Services being the exceptions.

- Gross profit was JPY39.5bn (+6.2% YoY), and GPM was 12.4% (flat YoY). Services for disinfectant cleaning at facilities with COVID-19 exposures boosted GPM. This positive impact was offset by lower-margin orders in Construction Work, such as restoration work related to the February 2021 Fukushima Prefecture Offshore earthquake.

- SG&A expenses were JPY23.8bn (+8.3% YoY), and the SG&A expense ratio was 7.5% (+0.2pp YoY). Although the company worked to automate operations, reduce labor, and lower costs mainly in Facilities Management and Security Services, personnel expenses rose due to increased hiring and training of new graduates and mid-career recruits, and to growth in expenses to promote area management and digital transformation (DX).

Net income attributable to owners of the parent decreased. As positive factors, the company sold two properties, including one that housed the headquarters of a subsidiary, and booked a JPY1.2bn gain on the sale of fixed assets as extraordinary profit. Another positive factor for net income was the dropout of the year-earlier JPY1.3bn extraordinary loss on the sale of businesses associated with the divestiture of the ID photo machine business. Although pre-tax profit rose accordingly, higher income taxes resulted in a YoY decline in net income.

Progress versus full-year company forecast

As a percentage of full-year company forecasts for FY02/22, sales came to 97.7% (95.3% in FY02/21), operating profit to 95.4% (92.3%), recurring profit to 95.7% (92.5%), and net income attributable to owners of the parent to 101.6% (116.8%).

Sales, operating profit, and recurring profit undershot company forecasts. In 1H FY02/22, performance outpaced company forecasts due to special cleaning at facilities with COVID-19 exposures and restoration work related to the February 2021 Fukushima Prefecture Offshore earthquake. However, the pandemic resurged in 2H, leading to delays and cutbacks on projects in the Construction Work segment. This outbreak also delayed recovery in Vending Machine Services, affecting full-year results. COVID-19 had a JPY1.2bn impact on operating profit, higher than the JPY500mn the company had initially expected.

Net income attributable to owners of the parent exceeded the full-year company forecast, which had not factored in extraordinary gains on the sale of fixed assets at a consolidated subsidiary.

Quarterly results

- Q1 FY02/22 (March—May 2021): Sales came to JPY79.7bn (+8.4% YoY) and operating profit to JPY3.7bn (+7.9% YoY). Sales and profit increased in six of the seven segments. Construction Work was the exception due to some delays in construction work. Performance was supported in particular by Cleaning Services. Operating profit expanded in tandem with sales growth.

- Q2 FY02/22 (June–August 2021): Sales came to JPY84.2bn (+10.5% YoY) and operating profit to JPY4.7bn (+16.2% YoY). Sales and profit increased in six of the seven segments, with Vending Machine Services being the exception. Earnings were mainly driven by Cleaning Services and Construction Work. In Cleaning Services, contracts for unscheduled disinfectant cleaning at facilities with COVID-19 exposures increased. In Construction Work, the company undertook restoration work at Aeon group facilities that were affected by the Fukushima Prefecture Offshore earthquake in February 2021.

- Q3 FY02/22 (September–November 2021): Sales came to JPY76.8bn (+2.9% YoY) and operating profit to JPY3.4bn (-7.8% YoY). The rate of sales growth fell QoQ, lowering operating profit. The main factors affecting performance were (1) lower orders for disinfectant cleaning using alcohol in Cleaning Services (due to a nationwide decline in COVID-19 cases), (2) some delays in construction work in Construction Work, and (3) a drop in sales of beverages from vending machines in Vending Machine Services.

- Q4 FY02/22 (December 2021–February 2022): Sales came to JPY76.9bn (+1.7% YoY), and operating profit was JPY3.9bn (-3.4% YoY). The rate of sales growth fell QoQ, lowering operating profit. The main reason was project delays in the Construction Work segment.

Segment trends

Sales expanded in all seven segments, and operating profit rose in five of the seven, with Construction Work and Vending Machine Services being the exceptions.

Facilities Management

- Sales: JPY61.5bn (+5.7% YoY)
- Operating profit: JPY5.5bn (+6.2% YoY)
- OPM: 8.9% (flat YoY)

Sales increased. The company acquired stores of new Aeon group companies as customers, as well as manufacturers and financial institutions outside the group. It set up a sales department that specializes in cultivating new customers, worked to increase the transparency of—and share information about—its sales activities, and analyzed processes that lead to signed contracts. These organizational initiatives strengthened sales. The company stepped up account management initiatives for key customers (discussed below). There were no changes in the shares of sales inside and outside the Aeon group.

Profit increased as the company promoted area management (discussed below) directed toward reforming its work processes.

Quarterly results

- 1H FY02/22: Sales came to JPY31.0bn (+6.6% YoY), operating profit to JPY2.6bn (+2.9% YoY), and OPM to 8.5% (-0.3pp YoY). The company achieved sales and profit growth by adding new customers and expanding its services to existing customers.

- Q3 FY02/22: Sales came to JPY15.5bn (+4.9% YoY), operating profit to JPY1.4bn (+3.6% YoY), and OPM to 9.2% (-0.1pp YoY). The company acquired new Aeon group stores and manufacturers and financial institutions outside the group as new customers, and it expanded its services to existing customers.

- Q4 FY02/22: Sales came to JPY15.1bn (+4.7% YoY), operating profit to JPY1.5bn (+15.7% YoY), and OPM to 9.7% (+0.1pp YoY). The company acquired stores of new Aeon group companies as customers and expanded services to existing customers. Extraordinary factors pushed up OPM.

Account management

The company reinforced its account management initiatives. Instead of communicating with customers on a segment basis as in the past, it appointed account managers for key clients and centrally manages customer information. It expanded transaction volume by deepening its understanding of customers and various industries, and accordingly improving customer satisfaction and referring customers to other segments. The company provided services across the segments in a single package (for example, Construction Work carries out an order associated with Facilities Management), and offered the same services nationwide to clients.

The company promoted industry-specific proposals. In addition to analyzing data on customers and various industries collected through account management, the company made use of personnel familiar with target industries. In FY02/22, it grew sales by strengthening sales to manufacturers who have become increasingly sensitive to cost management amid the COVID-19 pandemic, and by capturing outsourcing demand. In FY02/23, it looks to build sales infrastructure that concentrates on the hotel, hospital, and other sectors where demand is expected to recover, and provide solutions-based sales.

Area management

In March 2021, Aeon Delight set up customer service centers at all eight branches in Japan and rolled out remote support systems. The company also achieved labor-saving on-site as it installed systems and sensors at its facilities. This infrastructure enabled cost reductions through labor-saving and automation based on area management, which involves the sharing of facilities management personnel in a set area. The company first launched the area management concept with a focus on Aeon Retail stores among the several thousand facilities under contract. It has FY02/24 targets of 360 area-managed facilities and the reduction of 180 facilities management personnel. The company introduced the system at 151 facilities and had reduced the facilities management headcount by 115 as of end-FY02/22.

In FY02/22, the company experienced only limited cost benefits from reduced headcount. From Q3 FY02/22, personnel affected by these changes were redeployed to facility management positions at new properties outside the Aeon group or to sales positions, placed in charge of proposing construction estimates, or made site supervisors. The limited cost-reduction impact was because new projects for customers under contract outside the Aeon group fell below the company's expectations. The company anticipates that the results of personnel redeployment in area management will become apparent in FY02/23.

Area management should reduce the number of personnel assigned to customer facilities and reduce the amount customers pay. However, the company has maintained the quality of facilities management using remote support, and worked to increase the spend per customer by negotiating an increase in fees per on-site personnel, and by collaborating on providing services with other segments.

Security Services

- Sales: JPY47.2bn (+6.4% YoY)
- Operating profit: JPY3.4bn (+3.9% YoY)
- OPM: 7.3% (-0.1pp YoY)

Sales expanded as growth in new contracts for new Aeon group stores, large automakers' factories, and others outside the Aeon group pushed up the number of customers under contract, and because demand for event security and other services recovered. Contract prices were unchanged YoY.

Operating profit rose in tandem with growth in the number of contracts. Labor costs were rising in the security sector due to chronic worker shortages. The company continued negotiations to optimize unit prices and worked to automate systems to handle tasks such as facility entry/exit management and store opening/closing, with the aim of improving profitability. As a result, OPM remained flat YoY.

In China, earnings from existing customers were stable, as the company signed new project contracts for complexes and condominiums, and the impact of the pandemic waned. Shared Research understands that the Security Services segment generated around JPY5.0bn in sales in China.

Quarterly results

- 1H FY02/22: Sales came to JPY23.6bn (+9.0% YoY), operating profit to JPY1.7bn (+6.8% YoY), and OPM to 7.2% (-0.1pp YoY). The company continued to win new customers outside the Aeon group, and benefited from rising orders for event crowd control and transport security. It conducted price negotiations and worked on automation measures in an effort to improve profitability.

- Q3 FY02/22: Sales came to JPY11.8bn (+4.5% YoY), operating profit to JPY894mn (+12.7% YoY), and OPM to 7.6% (+0.6pp YoY). Growth in new contracts for new Aeon group stores and customers outside the Aeon group drove up sales. OPM improved as the effects of automation efforts started to manifest.

- Q4 FY02/22: Sales came to JPY11.8bn (+3.4% YoY), operating profit to JPY839mn (-8.8% YoY), and OPM to 7.1% (-1.0pp YoY). The company received contracts to provide security at sporting events and the factories of large automakers.

Progress on automation

The company has introduced security systems at some 200 stores, which has helped curtail the number of security personnel. In FY02/22, the company incurred some costs for this automation (although not a large amount), which it expects to bolster profitability in FY02/23.

Cleaning Services

- Sales: JPY67.0bn (+7.2% YoY)
- Operating profit: JPY8.1bn (+10.7% YoY)
- OPM: 12.1% (+0.4pp YoY)

Sales and profit improved, boosting companywide performance. The company expanded disinfectant cleaning, quarantine-related cleaning, and special cleaning services to prevent the further spread of COVID-19. It won new customers and expanded contracts from existing customers. The number of customers under recurring revenue contracts increased as some customers who had previously requested one-time services switched to recurring contracts. The company also worked to introduce and expand special cleaning services at customers outside the Aeon group such as New Standard Cleaning, a cleaning method to maintain a hygienic, attractive environment based on the company's own cleaning service that was previously provided to hospitals.

Quarterly results

- 1H FY02/22: Sales came to JPY34.1bn (+12.1% YoY), operating profit to JPY4.3bn (+24.7% YoY), and OPM to 12.5% (+1.2pp YoY). Sales and profit increased as the company won new customers and expanded orders from existing customers. Margins improved on increased adoption of services such as New Standard Cleaning, a high-margin special cleaning service, and thanks to growth in contracts for unscheduled disinfectant cleaning at facilities with COVID-19 exposures.

- Q3 FY02/22: Sales came to JPY16.4bn (+4.5% YoY), operating profit to JPY1.9bn (-0.7% YoY), and OPM to 11.6% (-0.6pp YoY). Contracts from new Aeon group stores supported the growth in sales. However, sales growth slowed on a drop in orders for disinfectant cleaning using alcohol as the number of COVID-19 cases declined across the country. Profitability also worsened due to a drop in the number of orders for high-margin special cleaning services.

- Q4 FY02/22: Sales came to JPY16.5bn (+0.7% YoY), operating profit to JPY1.9bn (-2.5% YoY), and OPM to 11.7% (-0.4pp YoY). A resurgence in COVID-19 led to contracts for unscheduled disinfectant cleaning at facilities with COVID-19 exposures. However, much of this cleaning was simple, and instances of highly profitable special cleaning for customers under contact fell, sapping profitability.

Construction Work

- Sales: JPY43.0bn (+5.8% YoY)
- Operating profit: JPY3.6bn (-7.7% YoY)
- OPM: 8.3% (-1.2pp YoY)

Sales increased, while profit fell. Sales rose due to restoration work related to the Fukushima Prefecture Offshore earthquake in February 2021. Although some large construction work continued to be postponed, scaled back, or canceled, the company redoubled sales efforts targeting renovation work for customers in and outside the Aeon group. This initiative boosted sales. OPM for restoration and renovation work is lower than for large-scale construction, so operating profit decreased.

Quarterly results

- 1H FY02/22: Sales came to JPY24.8bn (+12.0% YoY), operating profit to JPY2.3bn (+8.1% YoY), and OPM to 9.1% (-0.3pp YoY). In Q1, some construction work was delayed due to the COVID-19 pandemic, leading to a decline in sales and profit. In Q2, however, sales and profit rose due to restoration work related to the February 2021 Fukushima Prefecture Offshore earthquake at Aeon group facilities, and to an expanded volume of renovation contracts outside the Aeon group.

- Q3 FY02/22: Sales came to JPY8.9bn (+0.2% YoY), operating profit to JPY611mn (-23.4% YoY), and OPM to 6.8% (-2.2pp YoY). Factors negatively affecting sales included delays in and cancellations of large-scale construction work, and delayed deliveries of air conditioning and other equipment attributable to disruptions in distribution and semiconductor

- shortages. Profit declined as the company increased low-margin repair work orders to offset sluggish orders for large-scale construction work.

- Q4 FY02/22: Sales came to JPY9.3bn (-3.2% YoY), operating profit to JPY722mn (-27.9% YoY), and OPM to 7.7% (-2.7pp YoY). Profit fell because the company took on more relatively low-margin repair work during the pandemic, as orders for large-scale construction work were sluggish.

Materials and Supplies Sourcing Services

- Sales: JPY56.5bn (+6.5% YoY)
- Operating profit: JPY2.6bn (+3.8% YoY)
- OPM: 4.5% (-0.1pp YoY).

Sales and profit increased on sales growth for quarantine-related materials such as masks, gloves, alcohol for professional use, and acrylic partitions to prevent droplet spread amid the COVID-19 pandemic, and also thanks to growth in sales of packaging materials to newly acquired customers within the Aeon group. The company also strengthened its handling of environmentally-friendly packaging materials and their sales value increased.

Quarterly results

- 1H FY02/22: Sales came to JPY28.8bn (+8.2% YoY), operating profit to JPY1.4bn (+6.1% YoY), and OPM to 4.7% (-0.1pp YoY). Sales and profit increased due to high demand for quarantine-related materials amid the pandemic, and to rising numbers of new customer inside and outside the Aeon group.

- Q3 FY02/22: Sales came to JPY14.0bn (+7.3% YoY), operating profit to JPY570mn (+0.5% YoY), and OPM to 4.1% (-0.2pp YoY). Demand for quarantine-related materials declined as the number of COVID-19 cases settled down, but sales grew as the company secured new customers within the Aeon group and expanded sales of packaging materials. The company stepped up sales activities, focusing on companies that have newly joined the Aeon group, in a bid to become a top supplier able to meet all the materials needs of the group.

- Q4 FY02/22: Sales came to JPY13.7bn (+2.3% YoY), operating profit to JPY628mn (+1.9% YoY), and OPM to 4.6% (flat YoY). The company acquired new customers in the Aeon group, and sales of packaging materials increased.

Vending Machine Services

- Sales: JPY26.4bn (+3.5% YoY)
- Operating profit: JPY608mn (-6.9% YoY)
- OPM: 2.3% (-0.3pp YoY)

Sales rose, while profit fell. Despite an uptrend in the number of customers at shopping malls where the company installs vending machines, customer stays are growing shorter, and visitors continue to refrain from eating and drinking in public places. Accordingly, fewer consumers are purchasing beverages from vending machines than before the pandemic. Improvements from the previous year supported sales growth. The company installed more of its own multi-brand vending machines (which offer products from several different brands) to improve profitability per unit. Sales per unit rose, but rising fixed costs pushed profit down.

Quarterly results

- 1H FY02/22: Sales came to JPY13.5bn (+12.3% YoY), operating profit to JPY353mn (-1.1% YoY), and OPM to 2.6% (-0.4pp YoY). Demand for beverages from vending machines slumped in 1H FY02/21 on the closure of facilities, people refraining from going out, and increased teleworking in the wake of the government's declaration of a state of emergency. In 1H FY02/22, sales increased as customer traffic began to return to facilities and offices, and demand for beverages from vending machines recovered. Profit fell on higher fixed costs as the company installed more of its own multi-brand vending machines.

- Q3 FY02/22: Sales came to JPY6.3bn (-10.7% YoY), operating profit to JPY61mn (-70.4% YoY), and OPM to 1.0% (-1.9pp YoY). Commercial facilities operated normally, but growth in the number of customers using vending machines was sluggish as overall customer traffic was lackluster and the time spent by customers in such facilities was short. On the profit front, fixed costs expanded as the company installed more of its own multi-brand vending machines, and this pushed down profit.

- Q4 FY02/22: Sales came to JPY6.6bn (+2.6% YoY), operating profit to JPY194mn (+115.6% YoY), and OPM to 3.0% (+1.6pp YoY). Commission income from beverage producers increased, as the company hit target sales volumes, causing operating profit to double.

Support Services

- Sales: JPY16.0bn (+1.3% YoY)
- Operating profit: JPY441mn (loss of JPY75mn in FY02/21)
- OPM: 2.7%

Sales rose, and the segment turned profitable. Owing to the pandemic, demand was sluggish for services to plan and conduct overseas training. Demand for arranging domestic and overseas business trips was also lackluster. However, sales increased due to condominium management services in China. The company worked to expand services compatible with its businesses from a customer perspective in an effort to meet outsourcing needs related to the management and operation of contracted facilities and their surroundings.

Quarterly results

- 1H FY02/22: Sales came to JPY8.1bn (+4.1% YoY), operating profit to JPY255mn (versus a loss of JPY100mn in 1H FY02/21), and OPM to 3.2%. Sales and profit increased due to a recovery in demand for event, travel, and business trip support services at company subsidiary Aeon Compass, and to the exit from a loss-making subsidiary. Demand at household support services company Aqutia slumped amid price cuts by competitors.

- Q3 FY02/22: Sales came to JPY4.0bn (-0.2% YoY), operating profit to JPY75mn (versus a loss of JPY71mn in Q3 FY02/21), and OPM to 1.9%. The company won contracts to deliver mail and parcels to tenants at new Aeon group stores, and secured a higher volume of contracts to clean shared offices.

- Q4 FY02/22: Sales came to JPY4.0bn (-2.3% YoY), operating profit to JPY111mn (+15.6% YoY), and OPM to 2.8% (+0.4pp YoY). Although demand for arranging business trips was lackluster, the company acquired contracts for condominium management services in China. Being highly profitable, these products contributed to operating profit.

Overseas business

- Sales: JPY24.7bn (+24.1% YoY)
- Operating profit: JPY1.5bn (-6.3% YoY)
- OPM: 6.1% (-1.9pp YoY).

In the overseas business, individual segments are in charge depending on the type of project. Earnings from the overseas business are included within each segment. The company is active overseas in the Facilities Management, Security Services, Cleaning Services, and Support Services segments. Around half of customers are Aeon group companies.

China

- Sales: JPY16.9bn (+32.0% YoY)
- Operating profit: JPY1.4bn (-2.2% YoY)
- OPM: 6.1% (-4.4pp YoY)

Sales increased, owing to a rise in the number of customers under contract and hikes in service rates at some facilities. Sales rose in Security Services (business in China accounts for 30% of the segment's total), Cleaning Services, and Support Services. Aeon Delight Jiangsu and Wuhan Xiaozhu Property Management became consolidated subsidiaries through the acquisition of local companies, and they have won government-related products. Among its overseas business, the pandemic had a relatively small impact on business in China, and economic activity recovered quickly.

Operating profit fell, and OPM declined as a result of higher personnel expenses (stemming from a hike in minimum wages), a more competitive environment in Facilities Management, and the winning of new low-margin projects. That said, OPM tends to be higher on business in China than in Japan. That is because although competition in China is growing, China is still less competitive than Japan. Also, no outsourcing expenses are incurred by the company's own employees.

- Under the oversight of Aeon Delight China (AD China; a company established in April 2021 for this purpose), Aeon Delight Jiangsu and Wuhan Xiaozhu Property Management focused on bolstering contracts for priority facilities such as medium- to high-end shopping centers, hospitals and nursing homes, and facilities in areas undergoing redevelopment.

- They worked to expand their business domains to include property management operations (facility maintenance and operation), catering services (peripheral services that accompany property management), cleaning services, and services for residents at nursing homes, while focusing on facility management operations.

- In June 2021, Aeon Delight Jiangsu acquired a 60% stake in Suzhou Nakamura Integrated Facility Management Service (making it a subsidiary), which has a high level of knowledge and success in contracting services for Japanese-owned factories, in order to expand market share in Suzhou where there is significant growth in factories owned by Japanese businesses. It expects related earnings contributions to emerge from FY02/22.

ASEAN

Sales increased while profit declined for the ASEAN region as a whole. A resurgence of the pandemic restricted economic activity in individual countries. The company implemented measures including the suspension of operations at facilities and shorter operating hours. Although there was an effect on the employment of staff at each of these local subsidiaries and at partner companies, the company ensured operations at contracted facilities while undertaking epidemic prevention measures.

- Malaysia: Sales came to JPY1.5bn (+50.5% YoY) and operating profit to JPY19mn (-64.2% YoY). Sales growth was aided in part by the effects from the infrastructure built to secure contracts from Aeon group facilities, and by contracts from existing stores of Aeon Malaysia. Profit fell as the company had to lower its prices due to price competition from rivals, and because personnel expenses rose due to increased headcount.

- Vietnam: Sales came to JPY3.1bn (+9.4% YoY) and operating profit to JPY180mn (-18.2% YoY). Sales expanded thanks to sales contributions from facilities contracted in the same period the previous year. In 2H, a resurgence in COVID-19 cases undermined normal sales activities, and growth in personnel and fixed costs pushed profit down. Aeon Mall is stepping up store rollouts in Vietnam, so the company is strengthening its local infrastructure.

- Indonesia: Sales were JPY3.2bn (-3.0% YoY), and the company posted an operating loss of JPY17mn (operating profit of JPY43mn in FY02/21). Sales fell amid economic restrictions caused by the COVID-19 pandemic. The operating loss stemmed from higher personnel expenses, reflecting an initiative to improve employee compensation. The company has access to the customer base of a cleaning company it purchased in the Indonesia in 2018. The company has orders from four Aeon group facilities. The group plans to open more stores there, and Aeon Delight is building local infrastructure by dispatching staff from Japan with an eye toward expanding contracts with those group facilities.

Cumulative Q3 FY02/22 results

- Sales: JPY240.7bn (+7.3% YoY)
- Operating profit: JPY11.9bn (+5.7% YoY)
- Recurring profit: JPY11.9bn (+6.2% YoY)
- Net income: JPY8.5bn (+34.3% YoY)

In cumulative Q3 FY02/22, sales expanded in all seven segments, and operating profit rose in five of the seven segments, with Construction Work and Vending Machine Services being the exceptions.

- Gross profit: Gross profit was JPY29.8bn (+8.2% YoY), and GPM was 12.4% (+0.1pp YoY). Demand for services with relatively high GPMs such as disinfectant cleaning at facilities with COVID-19 exposures increased.

- SG&A expenses: SG&A expenses were JPY18.0bn (+10.0% YoY), and the SG&A expenses ratio was 7.5% (+0.2pp YoY). Although the company worked to automate operations, reduce labor, and lower costs mainly in Facilities Management and Security Services, personnel expenses rose due to increased hiring of new graduates and mid-career recruits, and to growth in expenses to promote area management.

Net income attributable to owners of the parent increased. The company sold two properties, including one that housed the headquarters of a subsidiary, and booked a JPY1.2bn gain on the sale of fixed assets as extraordinary profit. The growth in net income was also in part supported by the dropout of the year-earlier JPY1.3bn loss on the sale of businesses associated with the divestiture of the ID photo machine business.

Progress versus full-year company forecast

Versus the FY02/22 full-year company forecast, sales in cumulative Q3 FY02/22 achieved 74.1% (74.8% of full-year results in cumulative Q3 FY02/21), operating profit 71.8% (73.6%), recurring profit 72.4% (73.7%), and net income 80.9% (54.2%). This fell short of the progress in cumulative Q3 FY02/21.

At the start of the year, the company expected Construction Work and Vending Machine Services to recover as the COVID-19 pandemic settled down, but that recovery was slower than anticipated.

Quarterly results

- Q1 FY02/22 (March—May 2021): Sales came to JPY79.7bn (+8.4% YoY) and operating profit to JPY3.7bn (+7.9% YoY). Sales and profit increased in six of the seven segments. Construction Work was the exception due to some delays in construction work. Performance was supported in particular by earnings growth in Cleaning Services. Operating profit expanded in tandem with sales growth.

- Q2 FY02/22 (June—August 2021): Sales came to JPY84.2bn (+10.5% YoY) and operating profit to JPY4.7bn (+16.2% YoY). Sales and profit increased in six of the seven segments, with Vending Machine Services being the exception. Earnings were mainly driven by Cleaning Services and Construction Work. In Cleaning Services, contracts for unscheduled disinfectant cleaning at facilities with COVID-19 exposures increased. In Construction Work, the company undertook restoration work at Aeon group facilities that were affected by the Fukushima Prefecture Offshore earthquake in February 2021.

- Q3 FY02/22 (September—November 2021): Sales came to JPY76.8bn (+2.9% YoY) and operating profit to JPY3.4bn (-7.8% YoY). While sales rose, slower sales growth pushed operating profit down. The main factors affecting performance were (1) lower orders for disinfectant cleaning using alcohol in Cleaning Services (due to a nationwide decline in COVID-19 cases), (2) some delays in construction work in Construction Work, and (3) a drop in sales of beverages from vending machines in Vending Machine Services.

Segment trends

Facilities Management

- Sales improved 6.0% YoY to JPY46.5bn, while operating profit expanded 3.1% YoY to JPY4.0bn. OPM was down 0.2pp YoY to 8.7%.

Sales increased. The company acquired new Aeon group stores and manufacturers and financial institutions outside of the group as new customers. It had previously set up a sales team that specializes in cultivating new customers, worked to increase the transparency of—and share information about—its sales activities, and analyzed processes that lead to signed contracts. These organizational initiatives to strengthen sales started to pay off. Among existing customers, orders expanded mainly for maintenance of air conditioning equipment and elevators. Account management for key customers (discussed below) and other initiatives also provided contributions. There were no changes in the shares of sales inside and outside the Aeon group.

Profit increased as the company promoted area management (discussed below) directed toward reforming its work processes.

- 1H FY02/22: Sales came to JPY31.0bn (+6.6% YoY), operating profit to JPY2.6bn (+2.9% YoY), and OPM to 8.5% (-0.3pp YoY). The company achieved sales and profit growth by adding new customers and expanding its services to existing customers.

- Q3 FY02/22: Sales came to JPY15.5bn (+4.9% YoY), operating profit to JPY1.4bn (+3.6% YoY), and OPM to 9.2% (-0.1pp YoY). The company acquired new Aeon group stores and manufacturers and financial institutions outside of the group as new customers, and it expanded its services to existing customers.

Account management

The company started account management initiatives. Instead of communicating with customers on a segment basis as in the past, it now appoints account managers for key clients and centrally manages customer information. It aims to expand transaction volume by deepening its understanding of customers and various industries, and accordingly improving customer satisfaction and referring customers to other segments. To achieve this, it plans to provide services across the segments in a single package (for example, Construction Work carries out an order associated with Facilities Management), and provide the same services nationwide to clients.

The company promoted industry-specific proposals. In addition to analyzing data on customers and various industries collected through account management, the company made use of personnel familiar with target industries. In FY02/22, it grew sales by strengthening sales to manufacturers who have become increasingly sensitive to cost management amid the COVID-19 pandemic, and by capturing outsourcing demand. In FY02/23, it looks to build sales infrastructure that concentrates on the hotel, hospital, and other sectors where demand is expected to recover, and provide solutions-based sales.

Area management

In March 2021, Aeon Delight set up customer service centers at all eight branches in Japan and rolled out remote support systems. The company also achieved labor-saving on-site as it installed systems and sensors at its facilities. This infrastructure enabled cost reductions through labor-saving and automation based on area management, which involves the sharing of facilities management personnel in a set area. The company first launched the area management concept with a focus on Aeon Retail stores among the several thousand facilities under contract. It has FY02/24 targets of 360 area-managed facilities and the reduction of 180 facilities management personnel. The company introduced the system at 133 facilities and reduced the facilities management headcount by about 114 through Q3 FY02/22. Progress was as planned.

In Q3, the company started redeploying personnel affected by these changes to new properties or sales positions. It expects cost reduction benefits to become apparent going forward. Area management should reduce the number of personnel assigned to customer facilities and reduce the amount customers pay. However, the company has maintained the quality of facilities management using remote support, and worked to increase the spend per customer by negotiating an increase in fees per on-site personnel, and by collaborating on providing services with other segments.

Security Services

- Sales improved 7.5% YoY to JPY35.4bn while operating profit expanded 8.8% YoY to JPY2.6bn. OPM was up 0.1pp YoY to 7.3%.

Sales expanded as growth in new contracts for new Aeon group stores and stores outside of the Aeon group pushed up the number of customers under contract, and because demand for event security and other services recovered. Contract prices were unchanged YoY.

Operating profit rose in tandem with growth in the number of contracts. Labor costs were rising in the security sector due to chronic worker shortages. The company continued negotiations to optimize unit prices and worked to automate systems to handle tasks such as facility entry/exit management and store opening/closing, with the aim of improving profitability. As a result, OPM remained on par with the year-earlier level. Expenses rose temporarily in tandem with automation efforts.

- 1H FY02/22: Sales came to JPY23.6bn (+9.0% YoY), operating profit to JPY1.7bn (+6.8% YoY), and OPM to 7.2% (-0.1pp YoY). The company continued to win new customers outside the Aeon group, and benefited from rising orders for event crowd control and transport security. It conducted price negotiations and worked on automation measures in an effort to improve profitability.

- Q3 FY02/22: Sales came to JPY11.8bn (+4.5% YoY), operating profit to JPY894mn (+12.7% YoY), and OPM to 7.6% (+0.6pp YoY). Growth in new contracts for new Aeon group stores and customers outside the Aeon group drove up sales. OPM improved as the effects of automation efforts started to manifest.

Cleaning Services

- Sales improved 9.5% YoY to JPY50.5bn while operating profit expanded 15.6% YoY to JPY6.2bn. OPM was up 0.6pp YoY to 12.2%.

Sales and profit improved. The company focused on introducing and expanding disinfectant cleaning, quarantine-related cleaning, and special cleaning services to prevent the further spread of COVID-19. It acquired new customers and expanded contracts from existing customers. The number of customers under recurring revenue contracts increased as some customers who had previously requested one-time services switched to recurring contracts. The company also worked to introduce and expand special cleaning services at customers outside the Aeon group such as New Standard Cleaning, a cleaning method to maintain a hygienic, attractive environment based on the company's own cleaning service that was previously provided to hospitals.

In regions with labor shortages, the company worked to secure subcontractors by strengthening its relationships with regional cleaning service providers.

- 1H FY02/22: Sales came to JPY34.1bn (+12.1% YoY), operating profit to JPY4.3bn (+24.7% YoY), and OPM to 12.5% (+1.2pp YoY). Sales and profit increased as the company won new customers and expanded orders from existing customers. Margins improved on increased adoption of services such as New Standard Cleaning, a high-margin special cleaning service, and thanks to growth in contracts for unscheduled disinfectant cleaning at facilities with COVID-19 exposures.

- Q3 FY02/22: Sales came to JPY16.4bn (+4.5% YoY), operating profit to JPY1.9bn (-0.7% YoY), and OPM to 11.6% (-0.6pp YoY). Contracts from new Aeon group stores supported the growth in sales. However, sales growth slowed on a drop in orders for disinfectant cleaning using alcohol as the number of COVID-19 cases declined across the country. Profitability also worsened due to a drop in the number of orders for high-margin special cleaning services.

Construction Work

- Sales improved 8.6% YoY to JPY33.7bn while operating profit fell 0.6% YoY to JPY2.9bn. OPM was down 0.8pp YoY to 8.5%.

While some large-scale construction work was behind plan due to the COVID-19 pandemic, strengthened sales activities to win renovation contracts within and outside the Aeon group supported sales growth. However, operating profit fell because renovation work generates lower margins than large-scale construction work.

- 1H FY02/22: Sales came to JPY24.8bn (+12.0% YoY), operating profit to JPY2.3bn (+8.1% YoY), and OPM to 9.1% (-0.3pp YoY). In Q1, some construction work was delayed due to the COVID-19 pandemic, leading to a decline in sales and profit. In Q2, however, sales and profit rose due to restoration work related to the February 2021 Fukushima Prefecture Offshore earthquake at Aeon group facilities, and to an expanded volume of renovation contracts outside the Aeon group.

- Q3 FY02/22: Sales came to JPY8.9bn (+0.2% YoY), operating profit to JPY611mn (-23.4% YoY), and OPM to 6.8% (-2.2pp YoY). Factors negatively affecting sales included delays in and cancellations of large-scale construction work, and delayed deliveries of air conditioning and other equipment attributable to disruptions in distribution and semiconductor shortages. Profit declined as the company increased low-margin renovation orders to offset sluggish orders for large-scale construction work.

In Q4 FY02/22, the company expects demand to recover as the pandemic settles down. It plans to strengthen sales activities and review construction specifications and procedures to tackle work that has been delayed due to the pandemic, and work on new projects. Through its account managers, it intends to make proposals for renovation work and other services, and secure a higher volume of contracts. The company plans cost-cutting moves such as scrutinizing expenses more carefully at the construction estimate stage in an effort to improve margins.

Materials and Supplies Sourcing Services

- Sales improved 7.9% YoY to JPY42.8bn, while operating profit expanded 4.4% YoY to JPY1.9bn. OPM was down 0.2pp YoY to 4.5%.

Sales and profit increased on sales growth for quarantine-related materials such as masks, gloves, alcohol for professional use, and acrylic partitions to prevent droplet spread amid the COVID-19 pandemic, and also thanks to growth in sales of packaging materials to newly acquired customers within the Aeon group.

- 1H FY02/22: Sales came to JPY28.8bn (+8.2% YoY), operating profit to JPY1.4bn (+6.1% YoY), and OPM to 4.7% (-0.1pp YoY). Sales and profit increased due to high demand for quarantine-related materials amid the pandemic, and to rising numbers of new customer inside and outside the Aeon group.

- Q3 FY02/22: Sales came to JPY14.0bn (+7.3% YoY), operating profit to JPY570mn (+0.5% YoY), and OPM to 4.1% (-0.2pp YoY). Demand for quarantine-related materials declined as the number of COVID-19 cases settled down, but sales grew as the company secured new customers within the Aeon group and expanded sales of packaging materials. The company

- stepped up sales activities, focusing on companies that have newly joined the Aeon group, in a bid to become a top supplier able to meet all the materials needs of the group.

Vending Machine Services

- Sales improved 3.8% YoY to JPY19.8bn, while operating profit fell 26.5% to JPY414mn. OPM was down 0.9pp YoY to 2.1%.

While the operating environment remained tough due to restrictions on movement and changes in consumer purchasing behavior under the COVID-19 pandemic, improvements from the previous year supported sales growth. The company installed more of its own multi-brand vending machines (which offer products from several different brands) to improve profitability per unit, but rising fixed costs pushed profit down.

- 1H FY02/22: Sales came to JPY13.5bn (+12.3% YoY), operating profit to JPY353mn (-1.1% YoY), and OPM to 2.6% (-0.4pp YoY). Demand for beverages from vending machines slumped in 1H FY02/21 on the closure of facilities, people refraining from going out, and increased teleworking in the wake of the government's declaration of a state of emergency. In 1H FY02/22, sales increased as customer traffic began to return to facilities and offices, and demand for beverages from vending machines recovered. Profit fell on higher fixed costs as the company installed more of its own multi-brand vending machines.

- Q3 FY02/22: Sales came to JPY6.3bn (-10.7% YoY), operating profit to JPY61mn (-70.4% YoY), and OPM to 1.0% (-1.9pp YoY). Commercial facilities operated normally, but growth in the number of customers using vending machines was sluggish as overall customer traffic was lackluster and the time spent by customers in such facilities was short. On the profit front, fixed costs expanded as the company installed more of its own multi-brand vending machines, and this pushed down profit.

Support Services

- Sales improved 2.6% YoY to JPY12.1bn while operating profit came to JPY330mn (versus a loss of JPY171mn in cumulative Q3 FY02/21). OPM was 2.7%.

Sales and profit improved as the company worked to expand services compatible with its businesses from a customer perspective in an effort to meet outsourcing needs related to the management and operation of contracted facilities and their surroundings.

- 1H FY02/22: Sales came to JPY8.1bn (+4.1% YoY), operating profit to JPY255mn (versus a loss of JPY100mn in 1H FY02/21), and OPM to 3.2%. Sales and profit increased due to a recovery in demand for event, travel, and business trip support services at company subsidiary Aeon Compass, and to the exit from a loss-making subsidiary. Demand at household support services company Aqutia slumped amid price cuts by competitors.

- Q3 FY02/22: Sales came to JPY4.0bn (-0.2% YoY), operating profit to JPY75mn (versus a loss of JPY71mn in Q3 FY02/21), and OPM to 1.9%. The company won contracts to deliver mail and parcels to tenants at new Aeon group stores, and secured a higher volume of contracts to clean shared offices.

Overseas business

- Sales improved 24.5% YoY to JPY17.8bn while operating profit expanded 1.2% YoY to JPY1.2bn. OPM was down 1.5pp YoY to 6.5%.

In the overseas business, individual segments are in charge depending on the type of project. Earnings from the overseas business are included within each segment.

Sales and profit grew, as the business expanded mainly in China. The company operates Facilities Management, Security Services, Cleaning Services, and Support Services overseas. Aeon group companies comprise roughly half of its customers. OPM in each business is roughly the same as in the company's domestic business.

China

Sales improved 35% YoY to JPY12.2bn while operating profit increased by double digits YoY to JPY1.1bn, leaving both sales and profit on an upward trajectory. Sales rose as Aeon Delight Jiangsu secured a higher number of facility contracts, and increased the pricing of its services. Compared with other regions in the overseas business, the impact of the COVID-19 pandemic was relatively small in China, and economic activity also rebounded quickly.

- Under the oversight of Aeon Delight China (AD China; a company established in April 2021 for this purpose), Aeon Delight Jiangsu and Wuhan Xiaozhu Property Management focused on bolstering contracts for priority facilities such as medium- to high-end shopping centers, hospitals and nursing homes, and facilities in areas undergoing redevelopment. They worked to expand their business domains to include property management operations (facility maintenance and operation), catering services (peripheral services that accompany property management), cleaning services, and services for residents at nursing homes, while focusing on facility management operations.

- In June 2021, Aeon Delight Jiangsu acquired a 60% stake in Suzhou Nakamura Integrated Facility Management Service (making it a subsidiary), which has a high level of knowledge and success in contracting services for Japanese-owned factories, in order to expand market share in Suzhou where there is significant growth in factories owned by Japanese businesses. It expects related earnings contributions to emerge from FY02/22.

ASEAN

The spread of COVID-19 continued in the ASEAN region, and there were restrictions on economic activity in Malaysia, Indonesia, and Vietnam, where the company has local entities. This means that the company continued to face a tough operating environment in the region, with measures including the suspension of operations at facilities and shorter operating hours. Although there was an effect on the employment of staff at each of these local subsidiaries and at partner companies, the company ensured operations at contracted facilities while taking thorough epidemic prevention measures.

- Malaysia: Sales came to JPY1.1bn (+50% YoY) and operating profit to JPY6mn. Sales growth was aided in part by the effects from the infrastructure built to secure contracts from Aeon group facilities, and by contracts from existing stores of Aeon Malaysia. Profit deteriorated as the company had to lower its prices due to price competition from rivals, and because personnel expenses increased due to additional hiring.

- Vietnam: Sales came to JPY2.1bn (+5.5% YoY) and operating profit to JPY120mn (YoY decline of about 30%). Sales expanded thanks to sales contributions from facilities contracted in the same period the previous year. A resurgence in COVID-19 cases undermined normal sales activities, and growth in fixed expenses pushed profit down. Aeon Mall is stepping up store rollouts in Vietnam, so the company is strengthening its local infrastructure.

- Indonesia: Sales were JPY2.4bn (-6% YoY), and the company posted an operating loss. The loss was attributable to lower sales amid economic restrictions caused by the COIVD-19 pandemic. Indonesia is a large market within the ASEAN region, and the company has access to the customer base of a cleaning company it purchased in the country in 2018. It is building local infrastructure by dispatching staff from Japan with an eye toward expanding contracts with Aeon group facilities.

Summary of measures for FY02/22

Obtained external credit rating

The company obtained a new credit rating from Rating and Investment Information, Inc. (R&I). Shared Research understands it obtained the rating to expand future fundraising options as it intends to increase capital expenditures and step up M&A going forward.

Reducing dependence on the Aeon group

The company intends to increase the ratio of sales outside the Aeon group to 40.0% by the end of FY02/24 from 35.7% in FY02/21 to reduce its dependence on intragroup sales. It reformed its sales structure in November 2020 with the aim of expanding transactions with external companies. It established a department to cultivate new customers among major domestic companies, and plans to efficiently secure such customers through focused sales activities. The company is making progress with bringing in new customers from outside the group in Facilities Management, Security Services, and Cleaning Services.

In Q3 FY02/22, the ratio of sales outside the group was 34.9% (35.7% at end-FY02/12). Demand for disinfectant cleaning and similar services at group companies increased, and the company continued to win orders from outside the group. Note: There is no difference between service pricing and the company's margins for services offered within the Aeon group and externally.

Head office relocation

The company relocated its head office in September 2021. Head office functions previously divided between Tokyo, Chiba, and Osaka were consolidated in Tokyo (Chiyoda). Relocation expenses and expenses for relocating employees were booked through 1H, but were small. The company capitalized renovation expenses in Q3.

The company's interior design department remodeled the premises with the aim of creating a smart office to boost head office operational efficiency and facilitate work style reforms. The company has built a system enabling smooth communication with employees working from home or satellite offices with an enhanced communication environment throughout the building. It has also established a network environment permanently connected to all eight domestic branches, enabling instant communication with group companies in Japan and overseas.

Digital transformation progress

In June 2021, the Ministry of Economy, Trade and Industry named the company a digital transformation (DX) certified business, in recognition of its initiatives in promoting DX aimed at building sustainable business models in facilities management. With an increasingly acute labor shortage in the facilities management business, the company plans to use DX to build systems that enable efficient service provision.

The company continues to develop its Aeon Delight platform. It plans to use the platform to collect, analyze, and process customer feedback, facility conditions, and market trends in customers' industries. It plans to use the data to strengthen relationships between the sales department and customers and offer solutions that will solve customer issues.

News and topics

Decision on acquisition of treasury stock and commencement of collaboration with Kao Professional Services

2022-10-05

On October 4, 2022, Aeon Delight Co., Ltd. announced that the Board of Directors had resolved at a meeting held on the same day to undertake the repurchase of treasury stock.

Reason for acquisition of treasury stock

To improve capital efficiency through implementing a flexible capital policy in response to changes in the business environment and to enhance shareholder returns.

Details relating to the acquisition of treasury stock

- Type of shares to be acquired: Common stock of the company
- Total number of shares to be acquired: 1,500,000 shares (maximum; 3.00% of shares outstanding, excluding treasury stock)
- Total value of shares to be acquired: JPY5.3bn (maximum)
- Period of acquisition: October 5, 2022 to October 4, 2023
- Method of acquisition: Market purchases on the Tokyo Stock Exchange based on discretionary agreements
- Other: Shares acquired as part of this transaction will be cancelled by a resolution of the Board of Directors in accordance with Article 178 of the Companies Act.

On the same day, the company announced the start of a collaboration with Kao Professional Services Co., Ltd. to develop a new service, the Infectious Disease Risk Assessment Service, to support companies and organizations in the prevention of infectious diseases. Kao Professional Services provides hygiene management services for businesses in Japan.

Kao Professional Services will utilize its knowledge of assessment methods developed through its hygiene management business. Aeon Delight will leverage its expertise and service development capabilities accumulated through the provision of cleaning methods to its customers. The two companies aim to develop a new service to assess hygiene risks and provide solutions based on behavioral analysis in various situations, including public spaces and living areas.

Expansion of scope of Eco Mark certification for Cleaning Services

2022-10-03

On September 30, 2022, Aeon Delight Co., Ltd. announced that, as of September 29, 2022, the scope of certification for Eco Mark Product Category No. 510 "Cleaning Services Version 1.0" (Eco Mark Cleaning Services), which is certified by the Japan Environment Association, has been expanded to 440 commercial facilities.

The Eco Mark is an environmental label certified by the Japan Environment Association for products and services that are acknowledged as having a lower environmental impact throughout their life cycle—from production through disposal—and as contributing to environmental conservation. Eco Mark Cleaning Services covers cleaning services for specified buildings as stipulated in the Act on Maintenance of Sanitation in Buildings, and is certified based on criteria for environmental considerations for materials and equipment used, waste disposal, and overall operations, and cleaning quality standards.

Upon the initial certification in January 2022, 46 commercial facilities for which the company provided cleaning services were covered. With the expansion of scope, 394 commercial facilities for which partner companies provide cleaning services are now covered under the certification.

Based on the partnership building declaration unveiled in March 2022, the company has extended the environmental impact reduction initiative to its partners. Aeon Delight aims to improve the quality of operations and achieve coexistence and co-prosperity by sharing the social significance of Eco Mark certification criteria and initiatives with its partner companies.

The company aims to expand Eco Mark Cleaning Services to around 2,000 facilities by FY02/26. This includes commercial facilities, offices, hotels, and factories.

Change of trade name and corporate form (to investment company) of Chinese subsidiary, and capital increase

2022-07-27

On July 26, 2022, Aeon Delight Co., Ltd. announced that it would change the name of a subsidiary in China and convert it into an investment company.

The company held a board meeting today and decided to change the name of Aeon Delight (China) Co., Ltd. (AD China), a consolidated subsidiary, and convert it into an investment company. The parent company also decided to raise the subsidiary's capital. The move comes as the company seeks to strengthen its customer-oriented group management structure and achieve further growth in China.

Objective of the change

The company will seek to achieve further growth in China by accelerating business expansion throughout the country. The company will aggressively acquire facility management companies that have operations in various regions and purchase companies in different industries to enter new business domains. The company will change the name of AD China to Aeon Delight (China) Investment Holdings Co., Ltd. (planned) and convert it into an investment company so that it can engage in wide-ranging operations. The company will also raise the subsidiary's capital as it aggressively acquires new businesses.

Outlook

Aeon Delight targets FY2025 revenue of JPY60.0bn (versus JPY17.0bn in FY02/22) for its China business. The figure breaks down as JPY40.0bn from organic growth and JPY20.0bn from acquisitions. The company aims to invest in local companies operating in the fields where its expertise lies, including facility management, energy and environment, and automobile parking.

Launch of DX Education Program for about 500 employees

2022-07-22

On July 21, 2022, Aeon Delight Co., Ltd. announced the launch of a DX Education Program for approximately 500 employees.

As of July 2022, Aeon Delight launched a DX Education Program for approximately 500 employees in their 20s, to develop human resources to take responsibility for the next-generation facility management industry.

The program is the first phase of developing digital transformation (DX) human resources, and participation is required of full-time employees under the age of 30 who are in their second year of employment or later. During the program, participants will learn the basics of DX through video-based e-learning. Taking the IT Passport certification examination after completion of the program is also part of the curriculum. In the future, Aeon Delight plans to train leaders to spearhead DX promotion by conducting ongoing education for those who have acquired the IT Passport.

Retirement of treasury stock

2022-04-08

On April 7, 2022, Aeon Delight Co., Ltd. has announced the retirement of treasury stock.

Class of shares to be retired: Common stock of the company
Number of shares to be retired: 3,500,000 (6.46% of total shares issued before retirement)
Scheduled date of retirement: April 28, 2022

The total number of shares issued after the retirement will be 50,669,633 shares.

Structural reforms

2022-04-01

On March 31, 2022, Aeon Delight Co., Ltd. announced structural reforms.

The company formulated a thee-year medium-term management plan starting in FY02/22 and has been progressing a range of initiatives consistent with the basic policies of customer-oriented management, promotion of digital transformation (DX), and group management. The company plans to reorganize to accelerate the implementation of these basic policies.

The reorganization takes effect on April 1, 2022. The company will reorganize the role of Officer in charge of Marketing DX and establish the new position of COO of Japan Group Companies under the direct control of the president. The company will also perform reforms in divisions under the supervision of Officer in charge of Marketing DX, COO of Japan Group Companies, COO of ASEAN Business, Officer in charge of Materials and Vending Machines Business.

Partnership building declaration

2022-03-28

On March 25, 2022, Aeon Delight Co., Ltd. announced a partnership building declaration.

On March 22, 2022, the company unveiled its own partnership building declaration in support of the "Declaration of Partnership Building" framework initiated by the Council on Promoting Partnership Building for Cultivating the Future whose members include the chairs of Keidanren and Japan Chamber of Commerce and Industry, and the president of the Japanese Trade Union Confederation (Rengo). Other members are government ministers (the Minister of State for Economic and Fiscal Policy, the Minister of Economy, Trade and Industry, the Minister of Health, Labour and Welfare, the Minister of Agriculture, Forestry and Fisheries, and the Minister of Land, Infrastructure, Transport and Tourism).

Training of 37 infection control cleaning team leaders

2022-02-28

On February 25, 2022, Aeon Delight Co., Ltd. made an announcement regarding the training of 37 infection control cleaning team leaders.

In September 2021, Aeon Delight established the Advanced Course training program aimed at fostering team leaders for the company's New Standard Cleaning services incorporating proprietary measures for epidemic prevention through infection control. In February 2022, 37 people were certified as the first graduates.

As infection control cleaning team leaders, graduates of the Advanced Course will advise customers on how New Standard Cleaning can assist in quality improvement and epidemic prevention, while also taking responsibility for instructing other infection control cleaning specialists.

Plans to accelerate provision of eco-friendly products toward achieving a sustainable society

2022-02-25

On February 24, 2022, Aeon Delight Co., Ltd. announced its plan to accelerate the shift to the provision of eco-friendly products toward achieving a sustainable society.

Based on the Aeon Plastic Usage Policy which aims to reduce the disposable plastic usage volume by half by 2030 (compared with 2018), the company will expand the number and volume of eco-friendly products delivered to and used at Aeon group company stores.

The company has provided group companies with products whose materials have changed from plastics to paper-based materials or biomass plastics. In FY2021, by providing paper and wooden cutlery and paper straws, the company expects to contribute to reducing the disposable plastic usage volume by about 150 tons for the year.

Profile

Company Name

Aeon Delight Co., Ltd.

Phone

03-4360-3558

Established

1972-11-16

Head Office

Teitokanda Building. 1-1-1 Kandanishiki-cho, Chiyoda-ku, Tokyo, Japan 101-0054

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Contact Details

Company name

Shared Research Inc.

Phone

+81 (0)3 5834-8787

Address

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

Email

info@sharedresearch.jp

Website

https://sharedresearch.jp

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