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# Financial Results for the Fiscal Year Ended February 28, 2017

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**ÆON DELIGHT CO., LTD.** 

Ippei Nakayama, President and CEO

**April 12, 2017**

## **1** Financial Report for the Fiscal Year Ended February 2017

## **2** Mid-term Management Plan (FY2/18-FY2/20)

## **3** Initiatives for the Fiscal Year Ending February 2018

# Consolidated Income Statement

**Net sales increased for 7 consecutive years and profits increased for 13 consecutive years**

Summary of consolidated income statement (Unit: 100 million yen, %)	FY2/16		FY2/17		YoY Change	
	Result	Pct. to net sales (%)	Result	Pct. to net sales (%)	Difference	YoY (%)
Net sales	<b>2,810</b>	<b>100.0%</b>	<b>2,947</b>	<b>100.0%</b>	<b>136</b>	<b>104.9%</b>
Gross profit	<b>373</b>	<b>13.3%</b>	<b>389</b>	<b>13.2%</b>	<b>16</b>	<b>104.3%</b>
SG&A	<b>206</b>	<b>7.4%</b>	<b>217</b>	<b>7.4%</b>	<b>10</b>	<b>105.1%</b>
Operating income	<b>167</b>	<b>5.9%</b>	<b>172</b>	<b>5.9%</b>	<b>5</b>	<b>103.3%</b>
Ordinary income	<b>166</b>	<b>5.9%</b>	<b>173</b>	<b>5.9%</b>	<b>6</b>	<b>104.2%</b>
Net income attributable to owners of parent	<b>96</b>	<b>3.4%</b>	<b>102</b>	<b>3.5%</b>	<b>5</b>	<b>106.0%</b>

## 1 Start providing IFM\* services

**Started providing IFM services** to multinational pharmaceutical manufacturers

\*IFM (Integrated Facility Management) . . . Contributing to the growth of customers by providing optimal services related to facility management as a strategic partner

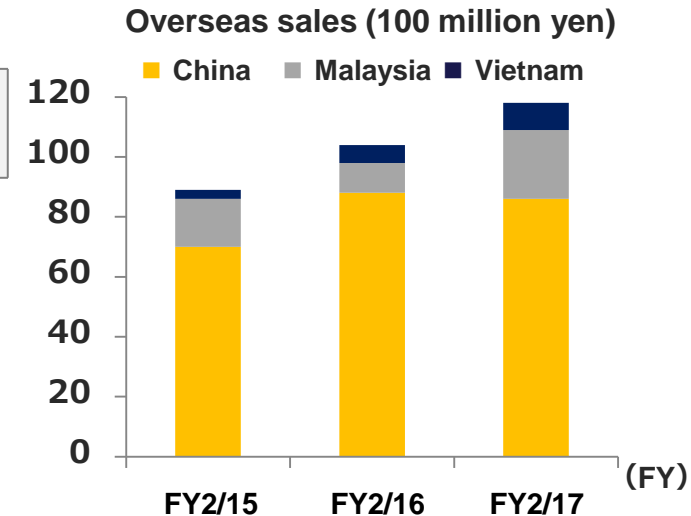
## 2 Growth of domestic subsidiaries

Our domestic subsidiaries, AEON Compass (BTM.MICE) etc., grew

## 3 Expansion in Asia

Participated in Suzhou city redevelopment project and launched catering business in Wuhan in China

Expanded business steadily in ASEAN countries (Malaysia, Vietnam)



## Increase in sales in all seven business

Double digit growth in Cleaning services; **111.5%** YoY, owing partly to the contribution of sales of Hakuseisha

Consolidated (100 million yen)	FY2/16	FY2/17	
	Result	Result	YoY (%)
Facilities management	489	505	103.2%
Cleaning services	478	533	111.5%
Security services	384	410	106.8%
Construction work	438	458	104.5%
Support services	186	203	108.9%
Materials/supplies sourcing services	505	507	100.4%
Vending machine services	327	328	100.4%
Total sales	2,810	2,947	104.9%

Cleaning services:  
+¥5.4 billion YoY  
**Consolidation of  
Hakuseisha**

Construction work:  
+¥1.9 billion YoY  
**Increase in orders  
for renovation work**

Support services:  
+¥1.6 billion YoY  
**Growth of  
subsidiaries' business**

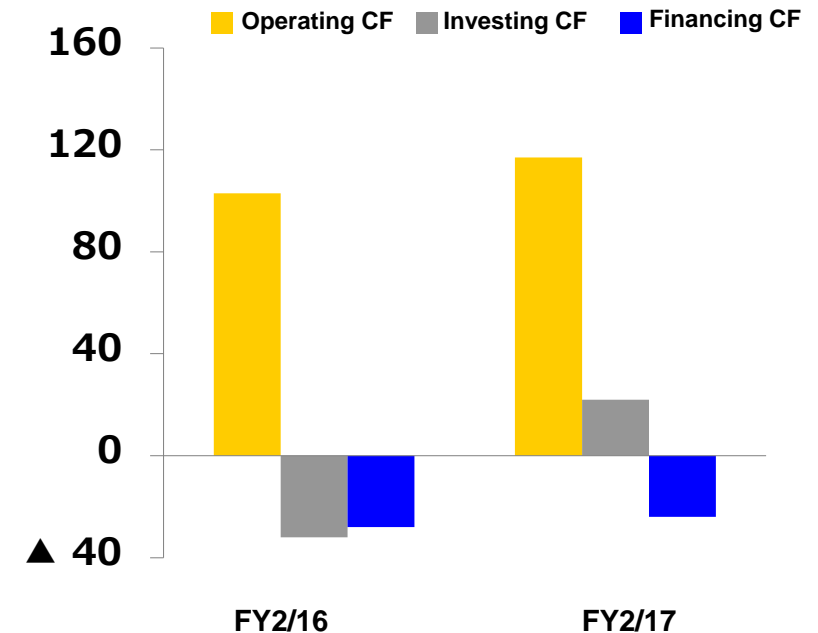
# Consolidated Balance Sheet

Assets (100 million yen)	FY2/16	FY2/17	YoY Differ ence
Current assets	1,056	1,124	67
Tangible fixed assets	70	90	20
Intangible fixed assets	103	90	▲13
Investments, etc.	81	89	7
Fixed assets	256	270	14
Total assets	1,313	1,395	81

Liabilities and net assets (100 million yen)	FY2/16	FY2/17	YoY Differ ence
Current liabilities	448	440	▲7
Fixed liabilities	25	33	8
Total liabilities	473	474	0
Shareholder's equity	810	885	74
Total net assets	840	920	80
Total liabilities and net assets	1,313	1,395	81

# Consolidated Cash Flow Statement

Assets (100 million yen)	FY2/16	FY2/17	YoY Change
Cash flows from operating activities	103	117	14
Cash flows from investing activities	▲32	22	54
Cash flows from financing activities	▲28	▲24	4
Cash and cash equivalents at the end of year	194	310	114



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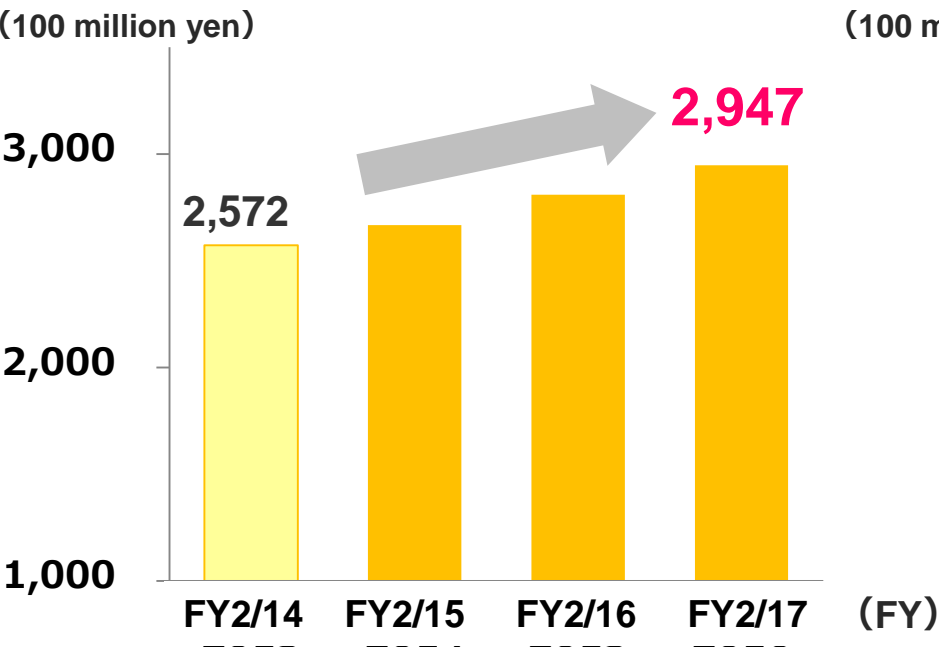
**Expand business steadily by leveraging our industry-top strengths in Japan**

**Overseas business rapidly growing for three years, and contributing to profit expansion**

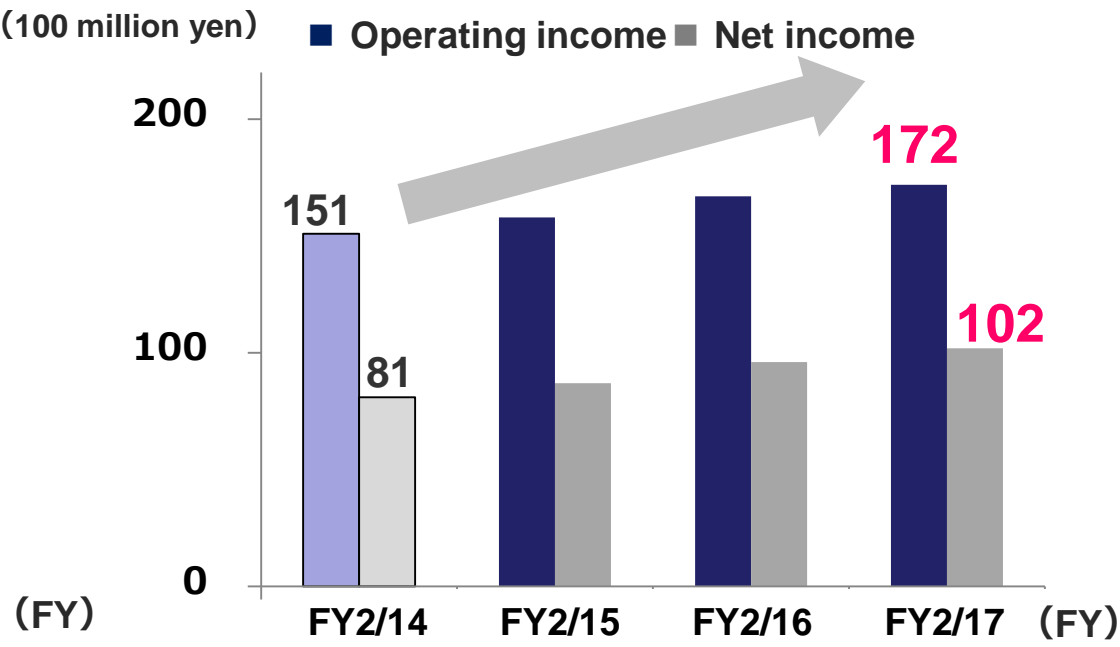


## Changes in performance

### Net sales



### Operating income/Net income



	Net sales	Operating income	Net income
Growth rate (vs. FY2/14)	114.6%	114.2%	125.5%

## Achievements

### ① Japan

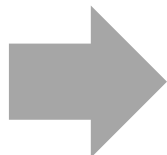
- Hygiene control doubled the number of hospital-controlled beds
- B-to-B businesses of Subsidiaries (KAJITAKU, AEON Compass) grew

### ② Overseas

- Sales in China became more than double
- Introduced energy-saving automatic control system at AEON Mall Suzhou Park

## Issue

A sense that the conventional, labor-intensive business model may be peaking out



**Concentrate management resources in growth areas**

## Recognition of current situation Future forecasts

## Expected impacts to us

## Our mid to long-term policy

### Changes in population dynamics

- Declining labor force in Japan
- Population gets older in Japan, China and other countries

- Domestic labor shortage ⇒ labor-saving model
- Low price policy becoming increasingly clear
- Companies focus on core business

### IFM

- Target in outsourcing market
- Acquisition of cost reduction expertise

### Shift in economic center of gravity (from Europe and the United States ⇒ emerging countries)

- Growth markets are large cities in emerging countries
- Global deflation is not over

- The second and third-class Chinese cities are the largest market
- Powerful rivals successively rising to prominence
- M&A Investment capability and risk resilience

### Asia

- Accelerate acquisition of human resources, management skills, etc.
- Prioritization of target for capture

### Revolutionary evolution of technology utilization

- Utilization / consumer popularization
- Low cost of utilization, large capacity

- Both aspects of cost reduction and added-value creation
- Competition with different industries
- China and Asia advancing through technology use

### Technology

- Double-faceted strategy of cost reduction and added value
- Platform construction is the lifeline

## Becoming a Japanese, global level IFM company

### FY2/15-FY2/17 Current mid-term plan

- Grew with AEON Group
- New area subsidiaries and overseas growth drove performance
- Gross margin of the three building maintenance business down

FY2/17  
**Net sales** ¥294.7 billion  
**Operating income** ¥17.2 billion  
**Operating margin** 5.9 %

【vs. FY2/14】

Net sales	114.6%
Operating income	114.2%

### FY2/18-FY2/20 Mid-term plan

■ IFM  
 ■ Asia  
 ■ Technology

Quantitative  
targets

**Net sales** ¥360 billion  
**Operating income** ¥22 billion  
**Operating margin** 6.1 %

【vs. FY2/17】

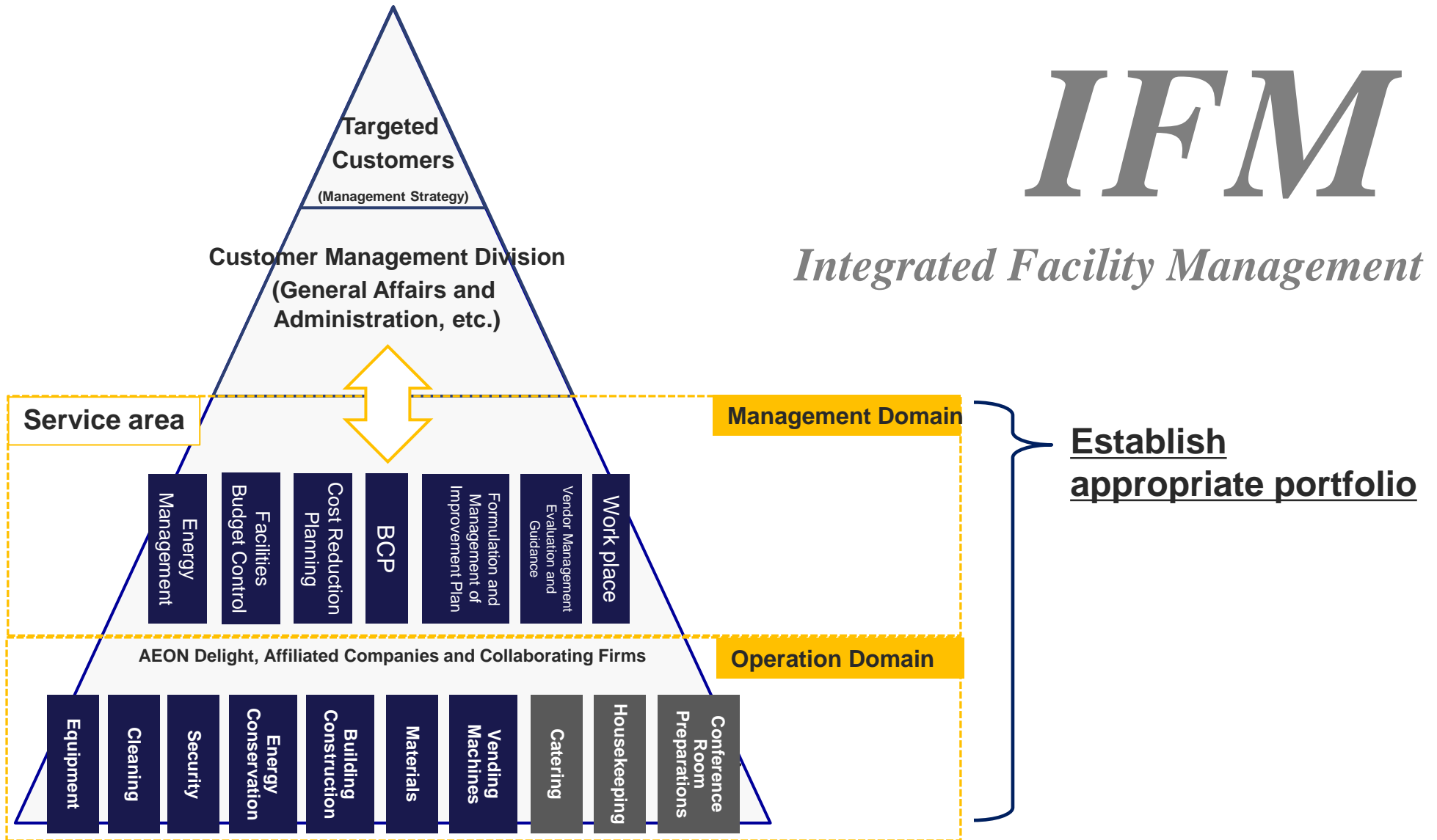
Net sales	122.1%
Operating income	127.5%

### FY2/28 Vision

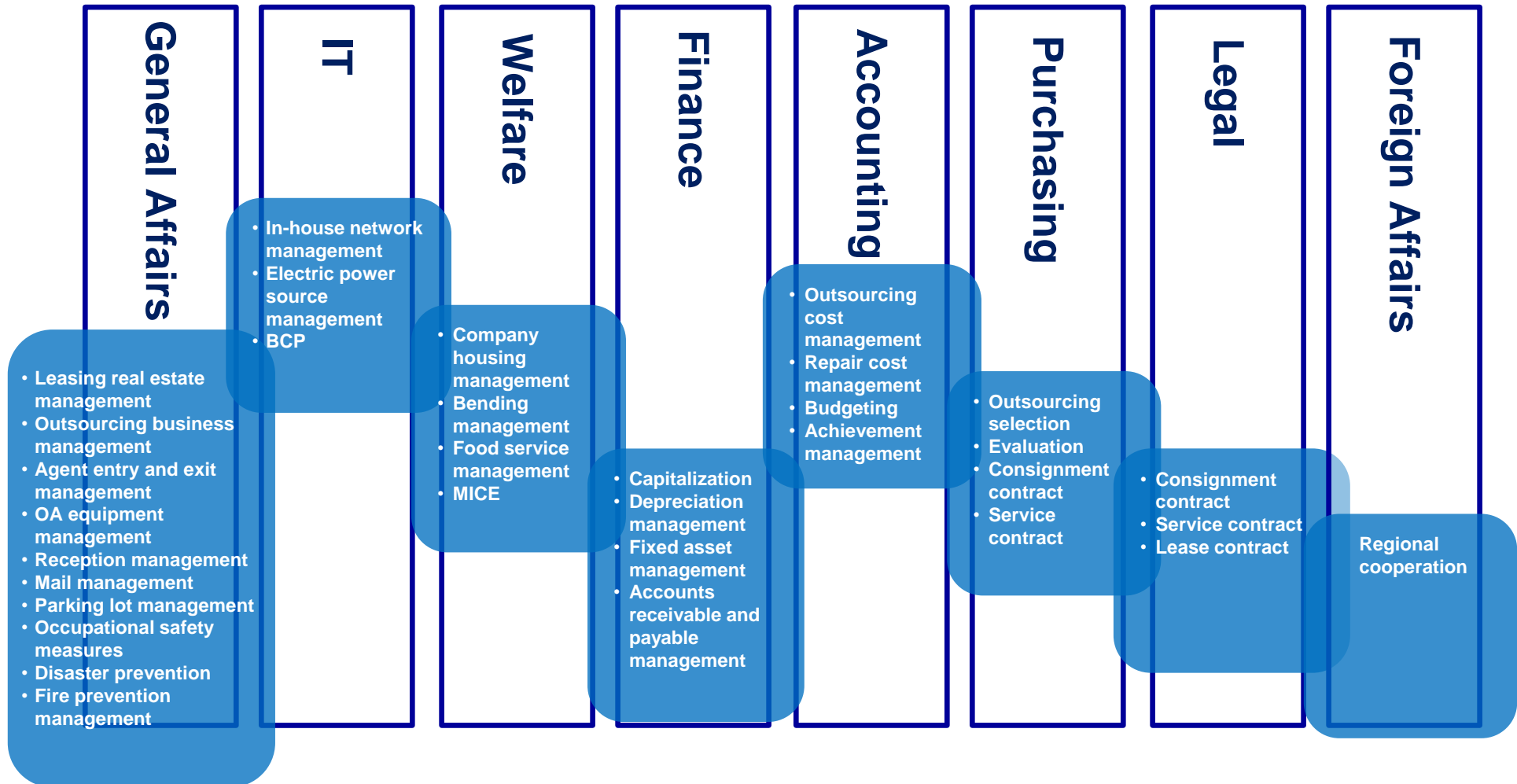
IFM company that maximizes customer profits through technology

**Net sales** ¥700 billion  
(Visionary target)

Towards becoming Asia's No. 1 IFM company - both in name and in reality



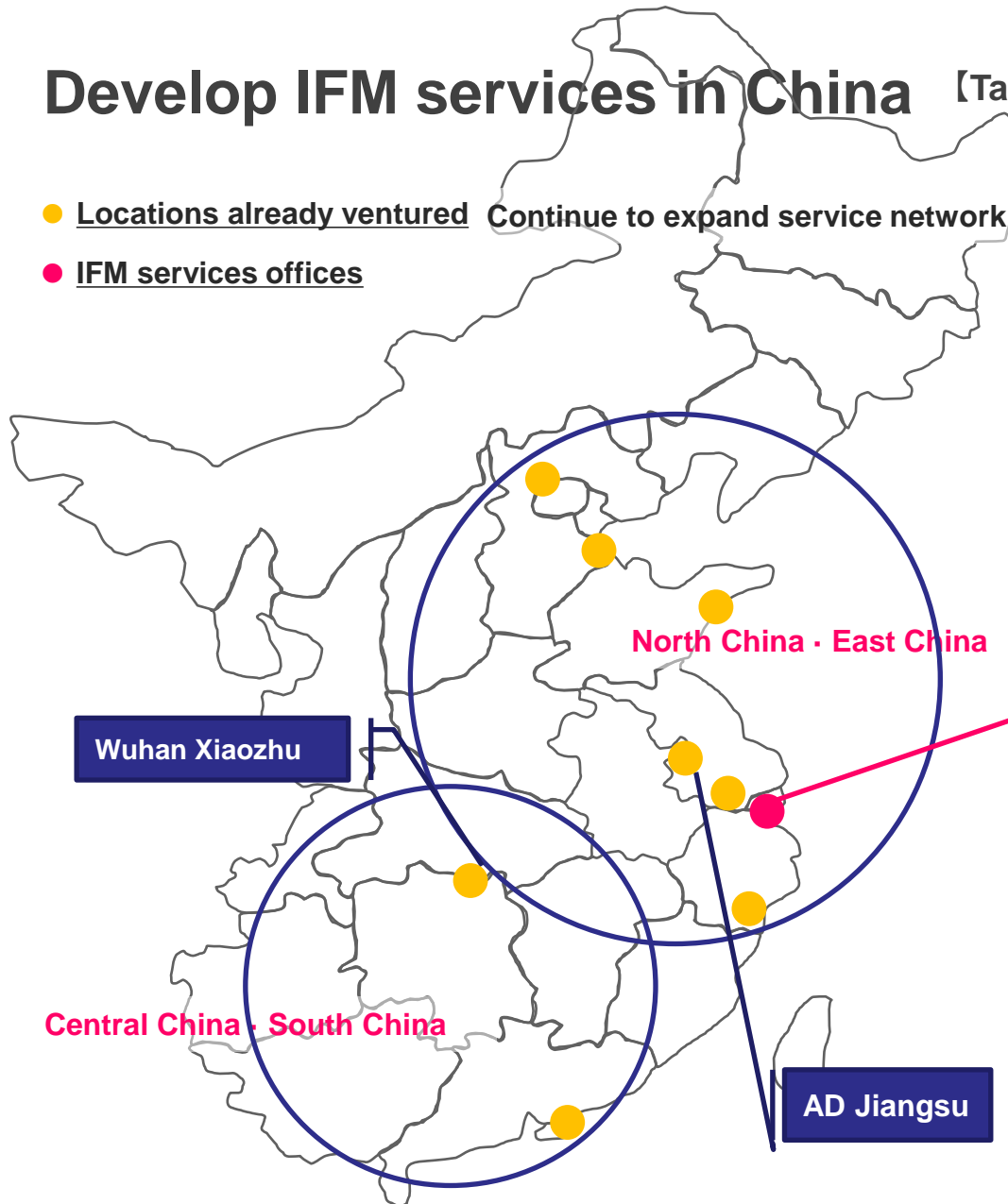
## Proposal menu viewed in terms of customer functions



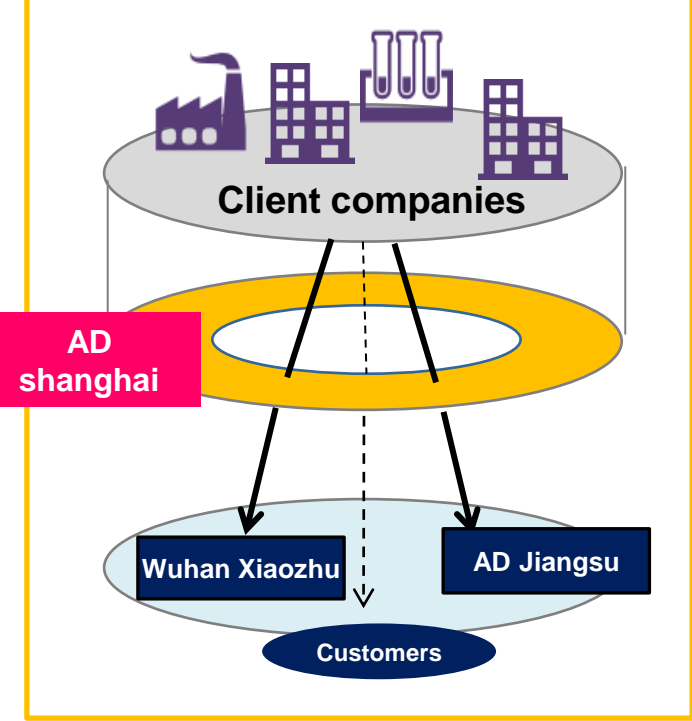
## Develop IFM services in China 【Target】 ① Japanese companies ② Foreign companies

● Locations already ventured Continue to expand service network

● IFM services offices

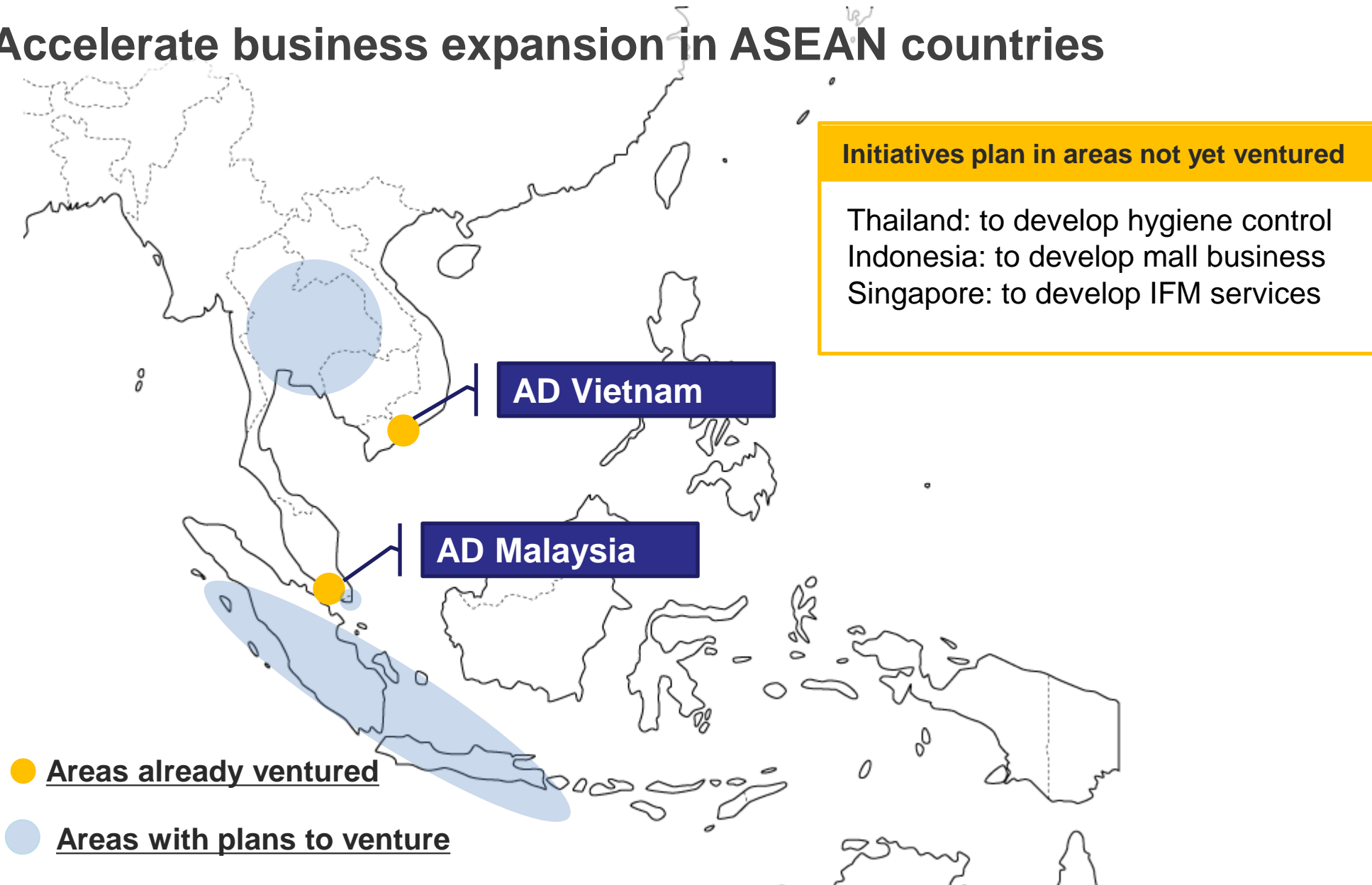


### IFM service structure



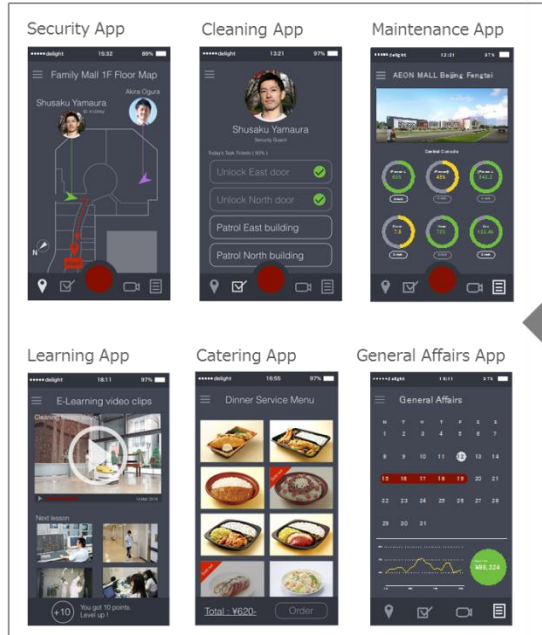


## Accelerate business expansion in ASEAN countries

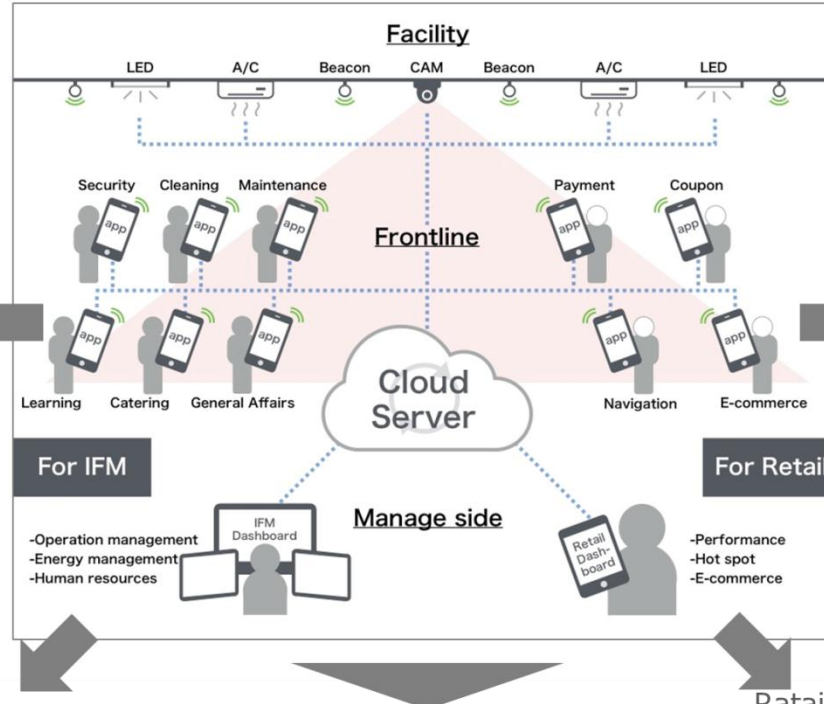


Contributing to improving the efficiency of FM services + the attractiveness of facilities by deploying intelligent facilities

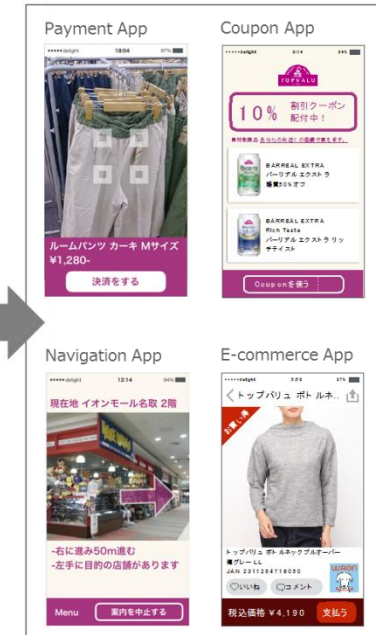
IFM Apps UI



Management System at a Glance



Retail Apps UI



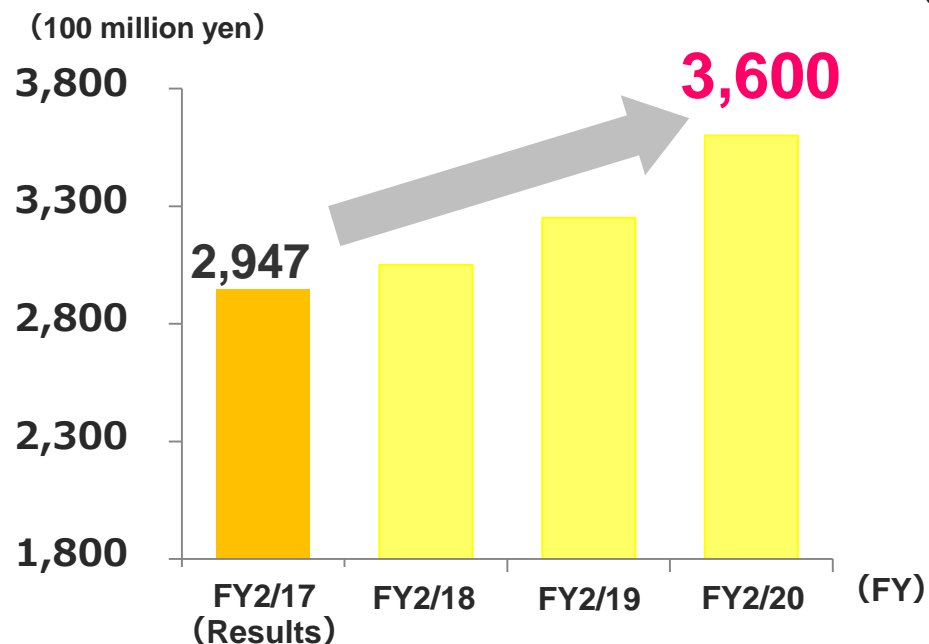
IFM Dashboard UI



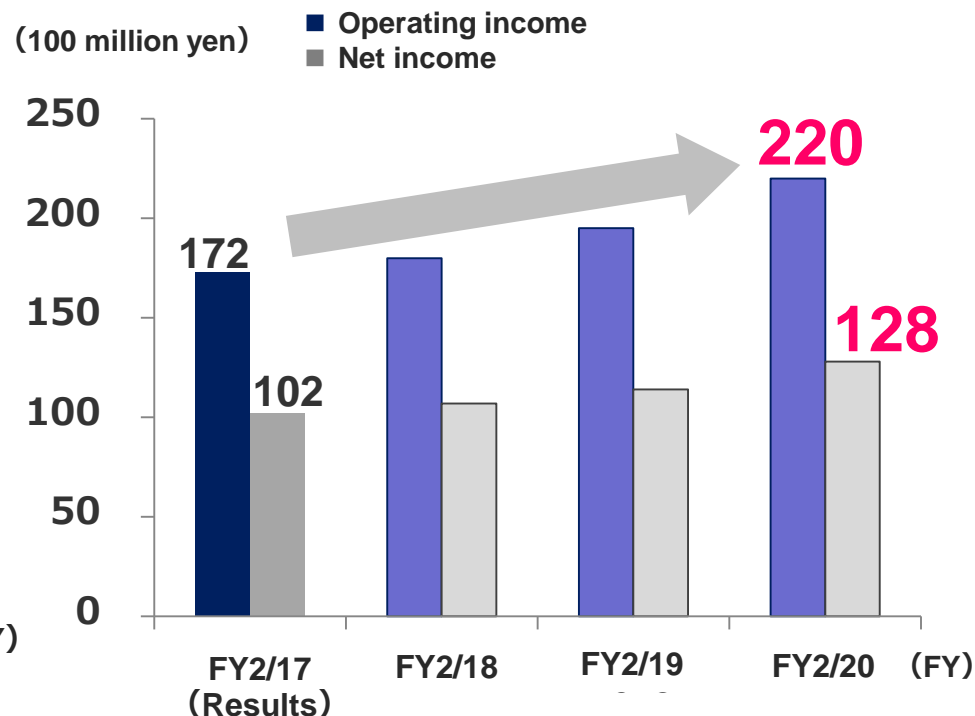
Retail Dashboard UI



## Net sales



## Operating income/Ordinary income



	Net sales	Operating income	Net income
Growth rate (vs. end-FY2/17)	122.1%	127.5%	125.0%

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- ① **Early establishment of IFM service model**
- ② **Measures to Expand Sales by Area**
- ③ **Utilization of Technology**
- ④ **Expansion of Orders for Renovation**
- ⑤ **"Work Style Reforms", Strengthening Organizational Capabilities**

## Early establishment and development of IFM service model in Japan and China



### Strengthen sales organization

Establish IFM sales office in Shanghai

### Application of IT in IFM business

Promote actual measurement of work processes and development/introduction of reporting systems



## ② Measures to Expand Sales by Area

### Japan

- Strengthen sales structure by business type (hospitals, hotels, offices, etc.)
- Increase orders for construction (revitalization of commercial facilities, office layout, etc.)

### China

- Increase orders in 5 priority markets
- AD Jiang Su: Intensive orders for FM services in the redevelopment area
- Wuhan Xiaozhu: Expand catering business which is demanded

\*5 priority markets

- ① Mid to high-end residence ② Mid to high-end shopping center
- ③ Retirement home, Hospital, Nursing care facility ④ High-end factory
- ⑤ Transport infrastructure facility

### ASEAN

- Malaysia: Start full-scale facilities management service in the large market
- Vietnam: Increase quality of facilities management, cleaning, and security.  
Expand orders for comprehensive facilities management

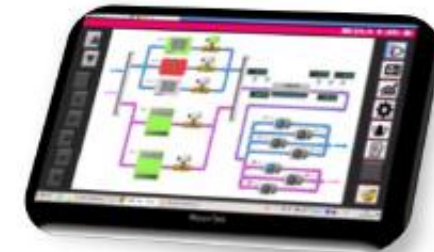
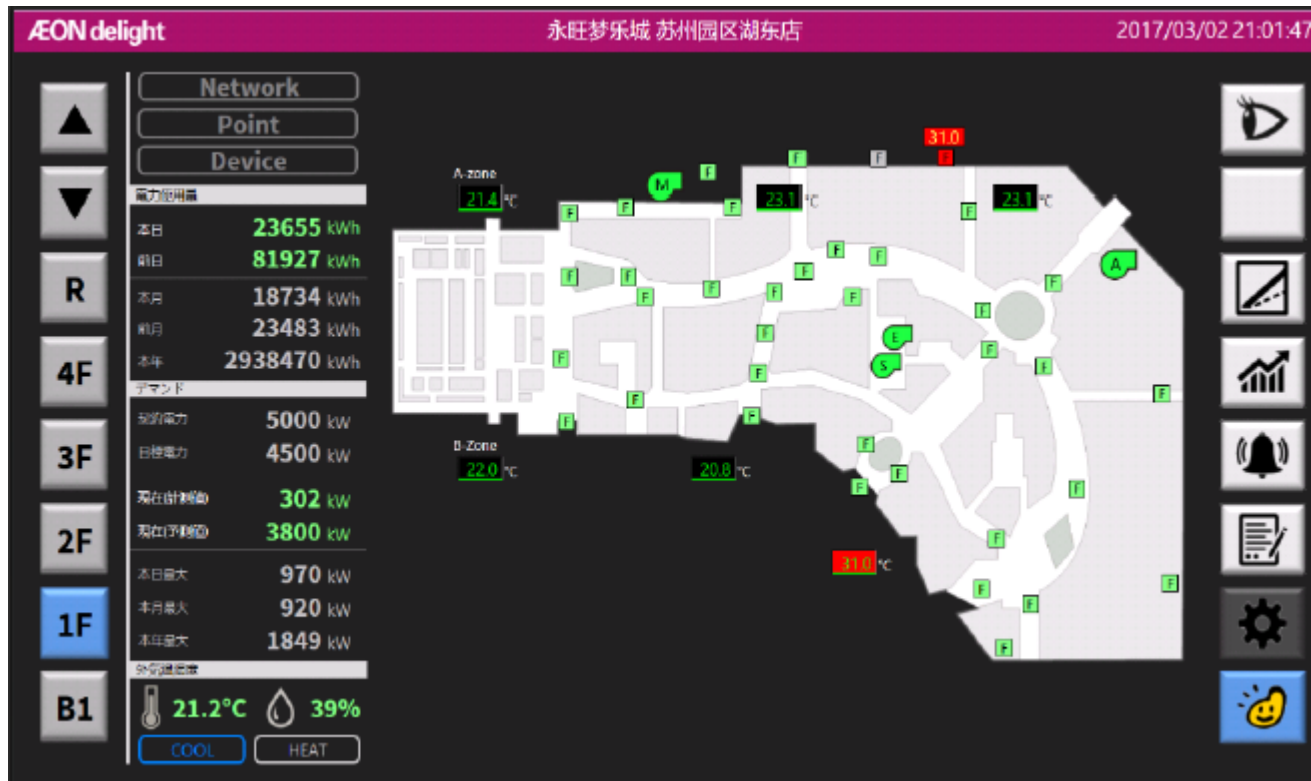
### ③ Utilization of Technology

## Adapt intelligent technology in facilities

【Phase 1】

### Automatic energy-saving control through open network system

Introduced in AEON Mall Suzhou Park





## ④ Expansion of Orders for Renovation

- Process of replacement of commercial facilities tenants -

### Total support from design and planning right through to after-maintenance

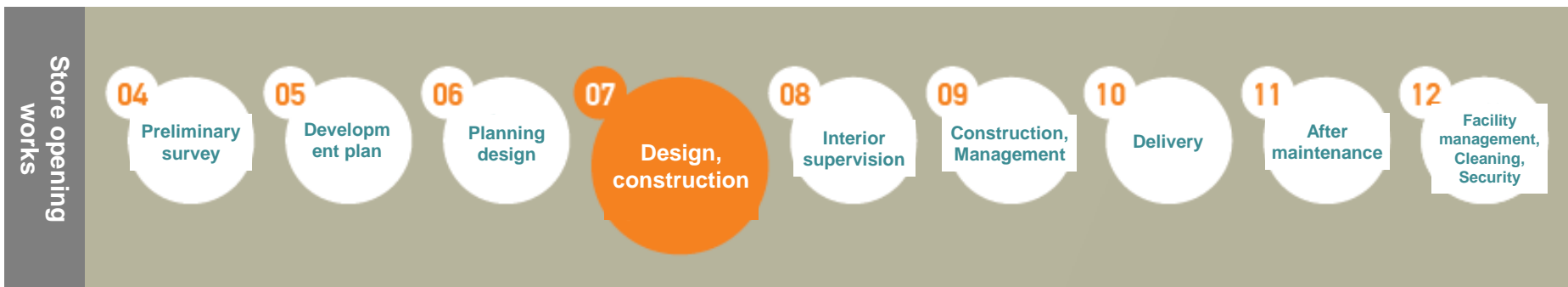


#### FY2/17 Results

Revitalization work **210 contracts**

Temporary enclosure, Restoration work, Renovation work

**2,843 contracts**





Structuring of proposal competition through in-house SNS **"FM-1 Grand Prix"**

Posting, sharing and evaluating best practices on each site

A total of **1,186 ideas** were gathered in FY2/17



■ Presentation of activities



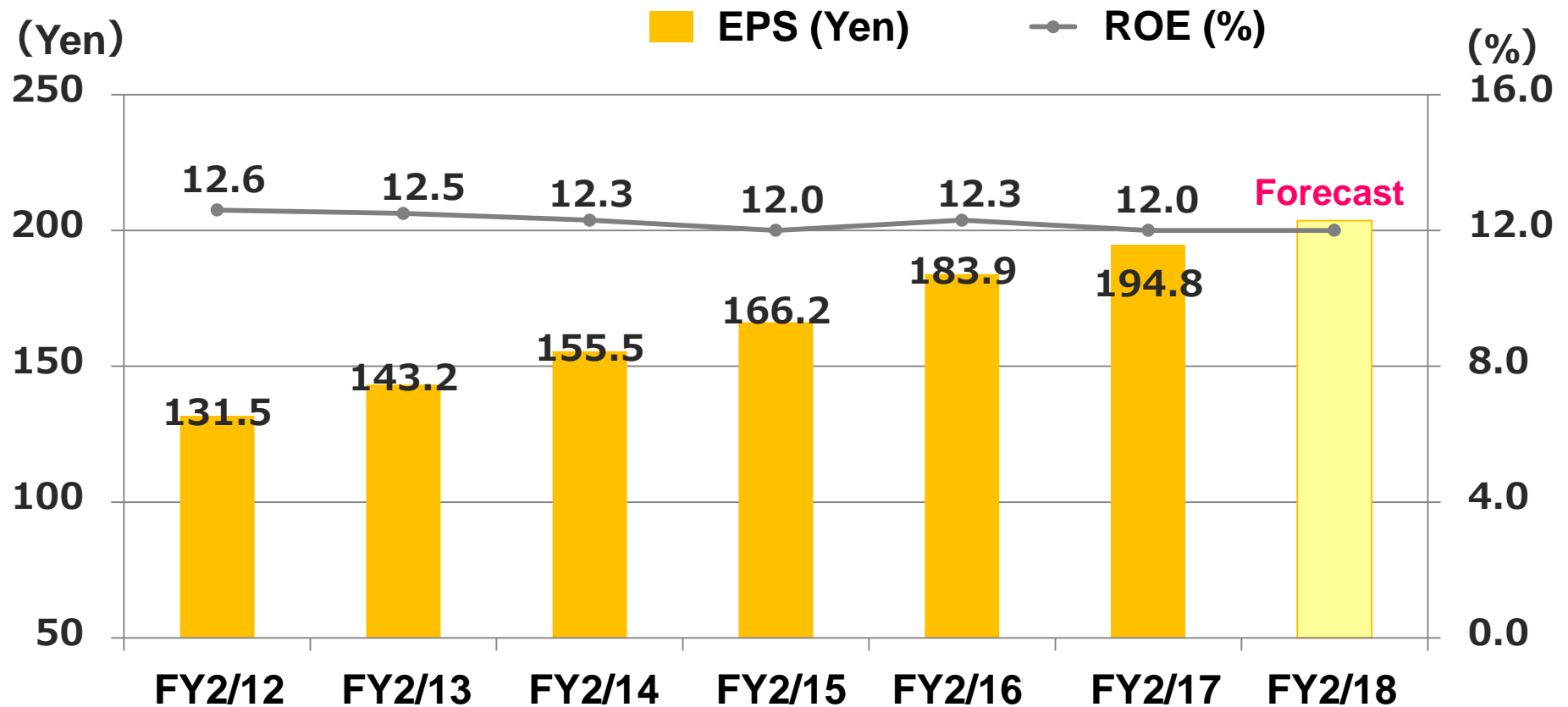
Improvement activities based on clean crews at cleaning sites: **"Efforts to Pursue Ease of Working"**

As we celebrate our second year, we are expanding the area from Japan to Asia

Summary of Consolidated income statement (100 million yen, %)	FY2/18			FY2/17	
	Forecast	Pct. to net sales (%)	YoY (%)	Result	Pct. to net sales (%)
Net sales	<b>3,050</b>	<b>100.0%</b>	<b>103.5%</b>	<b>2,947</b>	<b>100.0%</b>
Operating income	<b>180</b>	<b>5.9%</b>	<b>104.3%</b>	<b>172</b>	<b>5.9%</b>
Ordinary income	<b>180</b>	<b>5.9%</b>	<b>103.6%</b>	<b>173</b>	<b>5.9%</b>
Net income attributable to owners of parent	<b>107</b>	<b>3.5%</b>	<b>104.5%</b>	<b>102</b>	<b>3.5%</b>

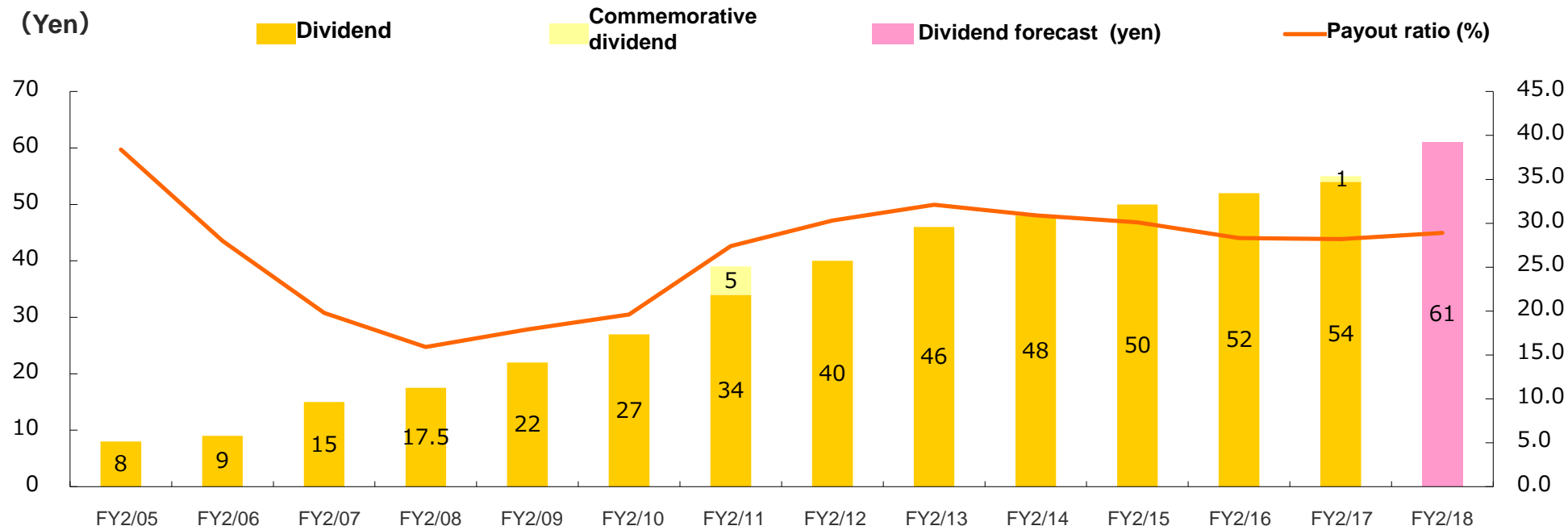
Consolidated payout ratio : Maintain around **30%**

Capital Efficiency : Maintain around **12%** of ROE



Aim for **13 consecutive years** of increased dividends since FY2/06

Fiscal year	FY2/05	FY2/06	FY2/07	FY2/08	FY2/09	FY2/10	FY2/11	FY2/12	FY2/13	FY2/14	FY2/15	FY2/16	FY2/17	FY2/18
Dividend (Yen)	8.0	9.0	15.0	17.5	22.0	27.0	39.0	40.0	46.0	48.0	50.0	52.0	55.0	61.0
Payout ratio (%)	38.4	28.0	19.8	15.9	17.9	19.6	27.4	30.3	32.1	30.9	30.1	28.3	28.2	30.0



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

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

◇ These statements are based not only on past performance, but also on assumptions based on information currently available to the company.

For this reason, please note that the actual performance may differ from our estimates.

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

◇ All statements are based on consolidated results

◇ All figures of less than 100 million yen have been rounded down

◇ Percentages have been rounded off to one decimal place

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This presentation has been prepared based on the information available as of the date of the presentation (April 12, 2017). The business forecasts may be revised due to various factors that may arise in the future.