

Financial Results for the Nine Months Ended November 30, 2023

AEON DELIGHT CO., LTD.

January 10, 2024

1 Financial Report for FY2/24 Q3

2 Initiatives for FY2/24 Q4

Consolidated Statements of Income

Sales and profits increased owing to the growing market share of existing customers and new customer acquisition.

Although profits fell behind the plan due to insufficient efforts to improve profitability amid rising cost pressures, sales increased above the plan.

	FY2/23 Q3		FY2/24 Q3			(100 million yen)
	(Ratio to sales)		(Ratio to sales)		Difference	Percentage change
Net sales	2,268	(100.0%)	2,419	(100.0%)	150	106.6%
Gross profit	302	(13.4%)	311	(12.9%)	8	102.9%
SG&A expenses	194	(8.6%)	202	(8.4%)	8	104.2%
Operating income	108	(4.8%)	108	(4.5%)	0	100.4%
Ordinary income	110	(4.9%)	110	(4.6%)	0	100.6%
Net income attributable to owners of parent	71	(3.2%)	76	(3.1%)	4	106.3%

Sales by Segment

Sales increased in all 7 businesses. Double-digit growth in the Construction work segment, which expanded contracting for energy-saving-related construction, and the Materials/supplies sourcing services segment, which expanded orders for various materials.

(100 million yen)

	FY2/23 Q3	FY2/24 Q3	Percentage change
Facilities management	490	524	106.9%
Security services	369	381	103.3%
Cleaning services	511	529	103.5%
Construction work	382	421	110.2%
Materials/supplies sourcing services	309	348	112.5%
Vending machine services	70	72	102.5%
Support services	135	142	105.4%
Total	2,268	2,419	106.6%

Profit by Segment

Profits increased in 5 businesses and decreased in 2 businesses.

Profitability declined mainly due to higher personnel costs and outsourcing costs, resulting in lower profits from the Cleaning and the Support services segment.

(100 million yen)

	FY2/23 Q3	FY2/24 Q3	Percentage change
Facilities management	42.6	44.3	103.8%
Security services	23.0	23.6	102.6%
Cleaning services	50.3	40.3	80.1%
Construction work	27.1	34.2	126.3%
Materials/supplies sourcing services	14.5	16.9	116.7%
Vending machine services	7.9	9.8	124.1%
Support services	4.1	4.0	97.7%
Total	169.9	173.5	102.1%

Consolidated Balance Sheet

(100 million yen)

Assets	Feb. 2023	Nov. 2023	Difference	Liabilities and net assets	Feb. 2023	Nov. 2023	Difference
Current assets	1,295	1,332	37	Current liabilities	484	505	21
Property, plant and equipment	64	67	2	Noncurrent liabilities	28	30	2
Intangible assets	63	64	1	Total liabilities	512	535	23
Investments, etc.	82	83	1	Shareholder's equity	959	968	8
Noncurrent assets	210	216	5	Total net assets	993	1,013	19
Total assets	1,506	1,548	42	Total liabilities and net assets	1,506	1,548	42

Promoting various measures to secure sales that exceed the plan

Initiatives	Results
Further strengthen account sales	<ul style="list-style-type: none">• Through strengthening relationships with customers through account management, we increased the market share of existing customers by expanding the services and by contracting with the same customer to provide services to properties at other locations.• Since our services and expertise are highly evaluated, we received new orders from a wide range of facilities.
Active proposals for small-scale repairs led by on-site staffs	<ul style="list-style-type: none">• Sales increased through active proposals for small-scale repairs led by on-site staffs to maintain and improve "safety and security" , "functionality" and "aesthetics" of facilities.
Strengthen construction works	<ul style="list-style-type: none">• Orders increased for energy-saving-related construction projects, where demand is rising in line with higher energy costs.• Orders for various types of work increased through aggressive proposals of renovation and repair work for facilities managed.

Major Initiatives in FY2/24 Q3 ② Promotion of DX-1

To build a sustainable business model, we developed the Area Management system and promoted the reform of facility management operations.



- Development of "area management"
Labor-saving at **46 new facilities**
(319 facilities in total)
Reallocated more than **51 specialist personnel**
(cumulative total of 218)

*Area Management

A facility management model in which multiple facilities are managed on an area-by-area basis, mainly through remote control and patrol services.



- Reform of facility management operations
Utilization of digital devices enables automation of routine operations (facility inspections, preparation of reports, etc.) and visualization of power consumption
Introduced at **92 new facilities** (263 facilities in total)

- DX of facility administration operations through use of cameras (top) and sensors (bottom)

Major Initiatives in FY2/24 Q2 ② Promotion of DX-2

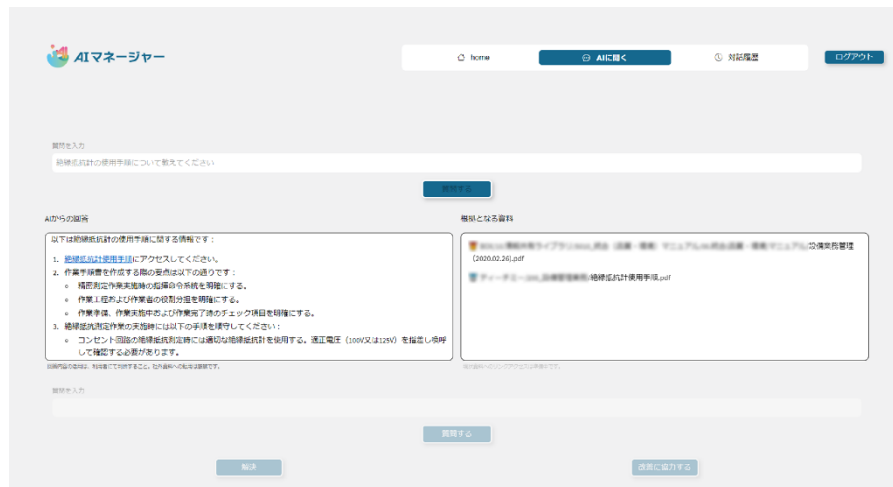
Developed a unique interactive AI tool "AI Manager" to improve business efficiency.
Started operation for all employees in October.



Developed a unique **interactive AI tool "AI Manager"** based on ideas generated from future consideration project by young employees.

In order to support back-office operations, we began using this AI tool to learn internal regulations and manuals in October.

We also started a trial operation of making Estimates for construction works by this AI.



In the medium to long term, we plan to expand the scope of support to on-site operations by transferring expertise in facility management to this tool.

Major Initiatives in FY2/24 Q3 ③ Group Management-1

Sales increased but profits decreased for all domestic group companies due to struggles at building maintenance subsidiaries.

AEON DELIGHT CONNECT, which manages small and medium-sized facilities, and AEON compass, which operates travel-related business, saw a recovery in earnings.

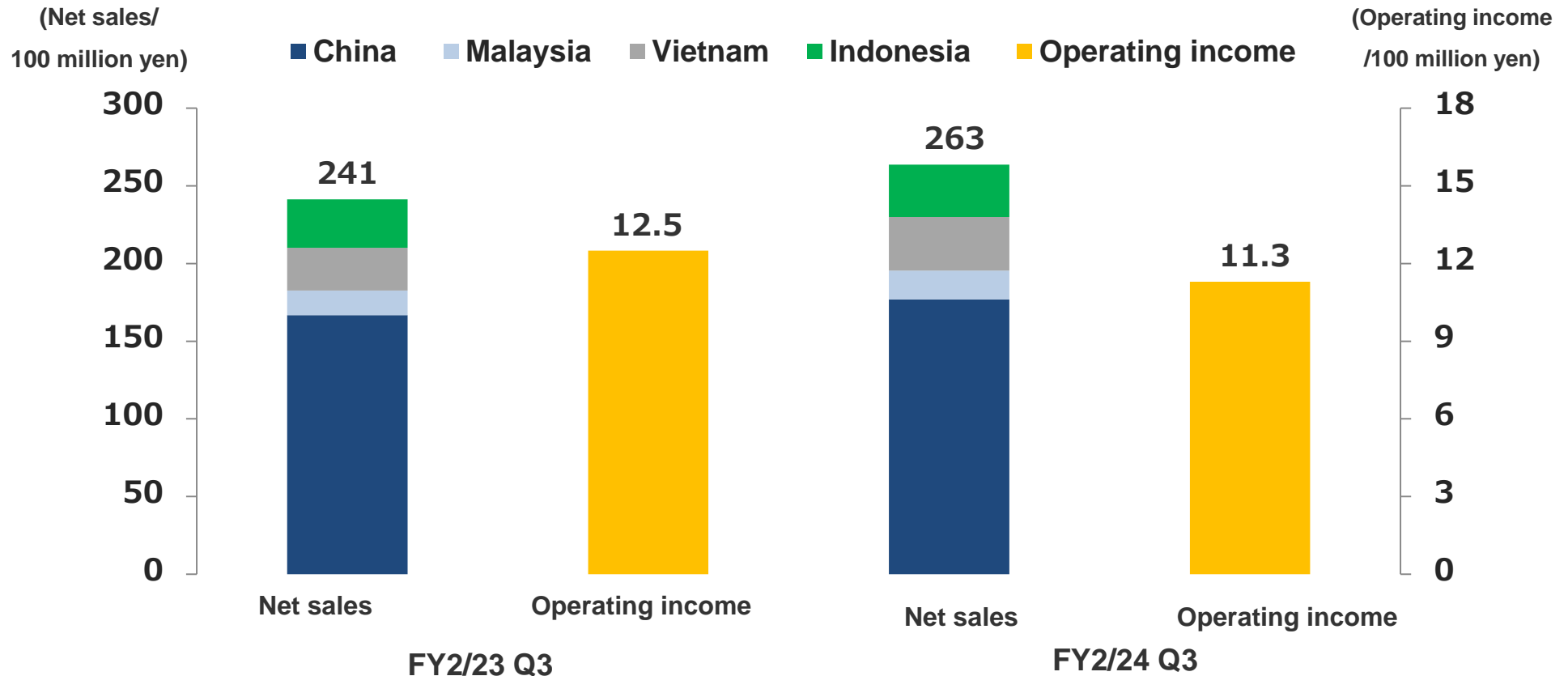
Company name	Outline
AEON DELIGHT CONNECT CO., LTD.	Sales and profits significantly increased due to the expansion of contracts for maintenance operations and construction works by restaurant chains, convenience stores and so on.
AEON compass Co., Ltd.	Sales and profits increased thanks to the strong performance of on-site management services and corporate travel business along with the recovery of human flow.
Kankyouseibi Co., Ltd.	Sales decreased due to increase in renewal contracts and orders for repair and maintenance work, but profit decreased due to higher labor costs, etc.
Hakuseisha CO., LTD.	Profits decreased due to higher labor costs, etc., while sales remained at the same level as the previous fiscal year.
Ask Maintenance	In April, we made the company, which operates a cleaning business mainly in the Kyushu region, a wholly owned subsidiary. Both sales and profits increased due to growth in new orders.

Major Initiatives in FY2/24 Q2 ③ Group Management-2

In overseas business, sales increased to 109.2% YoY, but operating income decreased to 90.4% YoY.

China: Sales increased due to steady business expansion, as a result of market share expansion among customers and new customer acquisition. On the other hand, profit decreased due to the impact of rising personnel costs and other factors.

ASEAN: Sales increased in countries where we operate. On the other hand, profit decreased due to the impact of the rising personnel costs in Malaysia where the Employment Law was revised and Indonesia.



Major Initiatives in FY2/24 Q3 ④ Skill Contests

Becoming a group of experts in facility management with partner companies.

We held the Fifth AEON Delight Skill Contest.

[Photos of contests]



From left: The facilities management contest, The cleaning services contest, The security services contest

Members from domestic and overseas group companies and partner companies (cleaning and security businesses) competed and presented their technologies, achievements, and best practices to each other.

Skills x Human capabilities = Specialists

Major Initiatives in FY2/24 Q3 ⑤ Started Accepting "Specified Skilled Worker"

Began accepting foreign nationals with special skills called
"Specified Skilled Worker" in the building cleaning field.



Training at the local subsidiary



AEON compass × PT Sinar Jernih Sarana
(Indonesia)

Established a system to train
candidates in the following at the local
subsidiary in Indonesia

- Building cleaning skills
- Japanese

In November 2023, we accepted

11 Specified Skilled Workers.

(A total of 16 people are expected to be
accepted this fiscal year.)

In the future, we will expand employment
with a view to accepting people in fields
other than building cleaning to establish
a sustainable business model.

Acquired **1.5** million shares of treasury stock to improve capital efficiency and strengthen shareholder returns. (October 2022-July 2023)

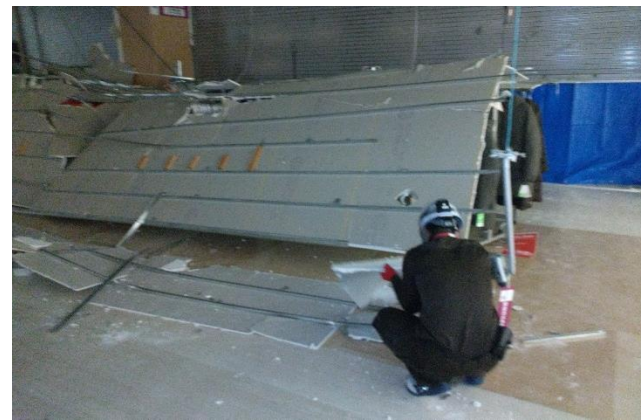
Retired the shares in October 2023.

1 Financial Report for FY2/24 Q3

2 Initiatives for FY2/24 Q4

Response to the 2024 Noto Peninsula Earthquake

We have been focusing on rebuilding efforts on the front line of the affected area since the disaster on 2024.1.1.



We will continue to make efforts to rebuild the affected area in our mission of providing “Safety and Security”.

Initiatives for Q4 to Achieve the Full-year operating income Target

Amid rising cost pressures, we will continue to work on measures to improve profitability while strengthening sales activities to secure sales in excess of the plan.

Items	Major initiatives
Increase sales	<ul style="list-style-type: none">• Further increase orders for energy conservation-related work, such as LED lighting and replacement of air conditioning and heat source equipment.• Strengthen small-scale repairs led by on-site staffs to maintain and improve "safety and security" , "functionality" and "aesthetics" of facilities.
Improve profitability	<ul style="list-style-type: none">• Facilities management: In addition to reviewing unit labor costs associated with improving productivity in on-site operations, begin cost structure reform by reviewing unit labor costs for operations and bringing some maintenance operations in-house.• Security services: Promote rationalization of unit prices through labor saving and price negotiations through entry and closure management and systemization of store closure operations.• Materials/supplies sourcing services: Promote appropriate reflection of cost increases in various materials in selling prices.

Progress Toward Planned Targets for FY2/24

(100 million yen)	FY2/23 Result (Ratio to sales)		FY2/24 Forecast (Ratio to sales)		Difference
Net sales	3,037	(100.0%)	3,100	(100.0%)	102.0%
Operating income	158	(5.2%)	160	(5.2%)	101.2%
Ordinary profit	160	(5.3%)	160	(5.2%)	100.0%
Net income attributable to owners of parent	101	(3.3%)	104	(3.3%)	102.4%

Reference: Progress in KPIs (Key Performance Indicators) of the Medium-Term Management Plan

Basic Policy	KPI (End-FY2/24)	FY2/24 Q3	End-FY2/22
Customer-oriented management	Ratio of sales inside/outside the AEON Group 60%:40% (total)	62.1% : 37.9%	64.4% : 35.6%
Promotion of DX	Operating income margin of 6.0%*1, sustaining the standard of ROE 12% (full-year) through increasing operating income	operating income margin: 4.0%*1 ROE: – %*2	operating income margin: 5.0% ROE 11.7%
	Number of facilities introducing area management: 360 (total)	319 facilities	178 facilities
	Reduction in number of on-site staff through area management: 180 (total)	218 staffs	115 staffs
	Allocation of 20% of staffs in the headquarters to front office by consolidating head office functions	—*2	Started improvement of business processes in the head office divisions
Group management	Net sales of 65.0 billion yen consolidated with group companies in Japan	—*2	52.1 billion yen
	Net sales ratio of Asia businesses over 8.0%*1 (Former Revenue Recognition Standard)	9.8%*1	7.8%
	Shift to shared services for domestic group finance and accounting departments (full-year)	—*2	Started support from our financial and accounting department for all domestic group companies

Items in blue indicate improvements.

*1 Calculation based on the former revenue recognition standard

*2 Renewed for the full year

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

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

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

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

- ◇ All statements are based on consolidated results
- ◇ Figures are rounded down to the nearest 100 million yen.
 - *Figures on page 5, 11 are rounded down to the nearest 10 million yen.
- ◇ Percentages have been rounded off to one decimal place

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

IR Contact : President's Office, PR and IR Group
TEL 03-6895-3892

Please contact us on our website.
<https://www.aeondelight.co.jp>

Based on information available up to the date of publication (January 10, 2024)
These forecasts have been prepared and are subject to change due to various factors going forward.