

**Financial Results for the Six Months Ended
August 31, 2020**

AEON DELIGHT CO., LTD.

Kazumasa Hamada, President, Group CEO

October 7, 2020

1 Financial Report for 2Q of FY2/21

2 Issues to be Addressed and Measures (Progress and Initiatives for 2H)

Consolidated Statement of Income

Decline in sales, operating income and ordinary income due to partial closures or temporary closures of customers' facilities, and requests to refrain from events and going out by the Japanese government to prevent the spread of the new coronavirus (COVID-19).

(100 million yen)

	FY2/20 2Q (Ratio to sales)	FY2/21 2Q (Ratio to sales)	Difference	Percentage change
Net sales	1,574 (100.0%)	1,497 (100.0%)	▲77	95.1%
Gross profit	197 (12.5%)	182 (12.2%)	▲15	92.3%
SG&A expenses	111 (7.1%)	107 (7.2%)	▲4	96.2%
Operating income	85 (5.5%)	75 (5.0%)	▲10	87.3%
Ordinary income	86 (5.5%)	74 (5.0%)	▲11	86.6%
Net income attributable to owners of parent	51 (3.3%)	39 (2.6%)	▲12	76.1%

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

[Reference]

(100 million yen)

	FY2/20 2Q (Ratio to sales)	FY2/21 2Q (Ratio to sales)	Difference	Percentage change
Net sales	1,547 (100.0%)	1,480 (100.0%)	▲66	95.7%
Gross profit	199 (12.9%)	182 (12.4%)	▲16	91.7%
SG&A expenses	107 (6.9%)	103 (7.0%)	▲3	96.6%
Operating income	92 (6.0%)	79 (5.3%)	▲12	86.0%

*Income statement excluding the results of Current Aqutia Corporation (successor company to the Housekeeping Support Business) and KJS Corporation (formerly KAJITAKU, changed its name as of March 1, 2020).

Impact of COVID-19 in the first half was within the initial projection

(1H Result)

Assuming that the impact of partial closures and temporary closures of our customers' facilities will continue through the first half of the fiscal year, we estimate the **-1.5 billion yen** impact on full-year operating income

The impact of COVID-19 on operating income for 1H was about **-1.1 billion yen**.

(2H Outlook)

Although negative impact of lower sales in AEON Compass due to self-restraint on travel and holding events will continue, the negative impact of COVID-19 on the other businesses will bottom out in 1H.

Making up for delays in measures due to COVID-19 and actively propose epidemic prevention-related services

Sales by Segment

Material-related sales grew thanks to increased orders for epidemic prevention materials.

(100 million yen)

FY2/20 2Q

FY2/21 2Q

Percentage change

Facilities management

296

290

98.2%

Security services

221

216

97.8%

Cleaning services

309

304

98.4%

Construction work

231

221

95.7%

Materials/supplies
sourcing services

259

266

102.7%

Vending machine
services

160

120

75.0%

Support services

96

77

80.2%

(Reference)
Excluding KAJITAKU

68

60

87.9%

Total

1,574

1,497

95.1%

(Reference)
Excluding KAJITAKU

1,547

1,480

95.7%

Profit by Segment

In security services, we improved the profitability by optimizing unit prices and systemizing entrance and exit management and closing operations

(100 million yen)

	FY2/20 2Q	FY2/21 2Q	Percentage change
Facilities management	27.8	25.4	91.4%
Security services	14.1	15.9	112.8%
Cleaning services	35.1	34.3	97.7%
Construction work	21.7	20.8	95.7%
Materials/supplies sourcing services	13.5	12.8	94.8%
Vending machine services	7.0	3.5	50.7%
Support services	2.5	▲1.0	-
(Reference) Excluding KAJITAKU	8.6	3.1	36.4%
Total	122.0	111.9	91.8%
(Reference) Excluding KAJITAKU	128.1	116.1	90.6%

Consolidated Balance Sheet

(100 million yen)

Assets	FY2/20	FY2/21 2Q	Difference
Current assets	1,123	1,054	▲69
Tangible fixed assets	96	99	3
Intangible fixed assets	71	69	▲2
Investments, etc.	76	71	▲5
Fixed assets	245	239	▲5
Total assets	1,369	1,293	▲75

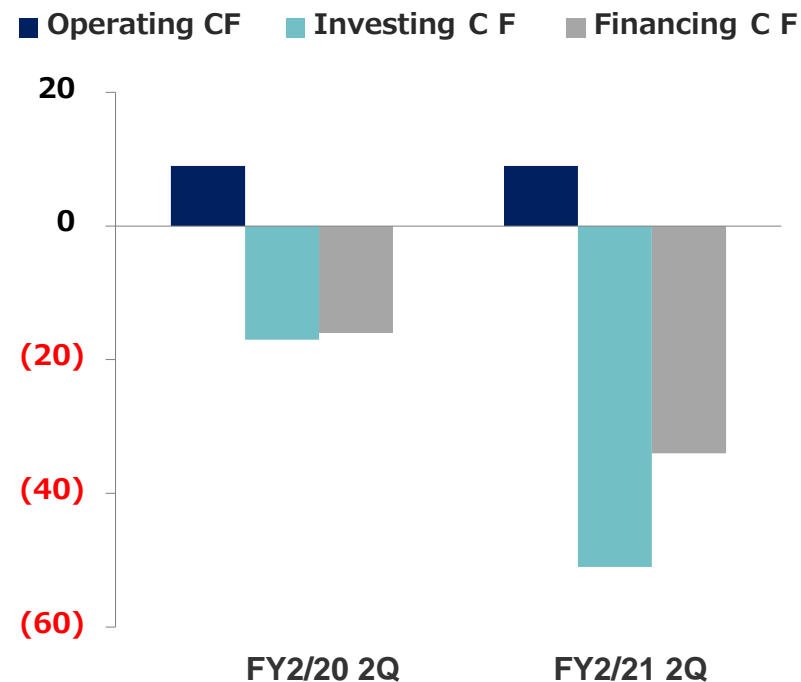
Liabilities and net assets	FY2/20	FY2/21 2Q	Difference
Current liabilities	488	431	▲56
Fixed liabilities	67	46	▲21
Total liabilities	556	478	▲78
Shareholder's equity	789	806	16
Total net assets	812	815	2
Total liabilities and net assets	1,369	1,293	▲75

Consolidated Cash Flow Statement

(100 million yen)

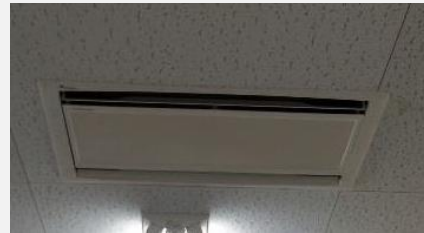
(100 million yen)

	2019/8	2020/8	Difference
Cash flows from operating activities	9	9	0
Cash flows from investing activities	▲17	▲51	▲34
Cash flows from financing activities	▲16	▲34	▲17
Cash and cash equivalents at the end of term	409	533	124



Established the New Normal for Facility Management (FM) to protect the "safety and security" of facilities

Promote the creation of new standards that incorporate epidemic prevention measures



Various epidemic prevention measures in the backyards of Aeon Group stores

(Upper left) USHIO INC. 's "Care222" disinfection light source *Introduced for testing

(Upper right) All heat exchangers were added to increase ventilation.

(Lower left) CO2 concentration monitor is installed to promote ventilation

The New Standard for FM incorporating epidemic prevention measures

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Digital transformation of operations and services



Aim to establish the FM New Normal, adapting to the "With Corona" era and looking ahead to the "After Corona" era, as soon as possible.

Major Initiatives in FY2/21 2Q ② Response to COVID-19 Infections

<Safety and Security>

To ensure that shopping and working at Aeon continue to be "safe and secure", we were working to create stores adapting to "With Corona" era with FM New Standard



New Standard Cleaning service began in September. The work is carried out by the "Sanitation and Cleaning Specialists" that has completed its own educational program.

4 themes for FM New standards

- ① Establish scientifically based cleaning methods for sanitary environment (New Standard Cleaning)
- ② Efficient ventilation while maintaining comfort
- ③ Development and introduction of contactless services
- ④ Raise awareness and knowledge of epidemic prevention among store employees

Proposals will be made to facilities other than AEON Group stores (offices, factories, etc.)

Major Initiatives in FY2/21 2Q ③-1 Accelerate Business Model Reforms

<Labor shortage>

To accelerate the digitalization of various services and operations,
we established dedicated cross-divisional organization "Business Model Reform PT"

4 Priority Items for Business Model Reform

① Establish new facility management services

- Establishment of Customer Support Center (CSC) to accurately grasp customer needs
- Accelerate the digitization of business processes

② Expand market share among existing customers

- Improve customer satisfaction by strengthening account sales

③ Explore new customers

- Expand touch points with customers through the use of digital technology

④ Create new business opportunities based on customer needs

- Create new business opportunities based on customer needs through networks with partner companies

Launched a project led by an executive with expert knowledge and experience in each area

Major Initiatives in FY2/21 2Q ③-2 Accelerate Business Model Reforms

<Labor shortage>

Established an area management system in which our facilities managers are shared in each area to provide services in line with the cost and quality required by customers



New Customer Support Center (CSC)

- Processing customer information and feedback into valuable proposals
- Remote control and centralized monitoring of movement in the facility

Labor-saving/
unmanned on-site managers

+

Established a new CSC to develop services based on customer needs

Established an area management system

Verified and confirmed effectiveness
in Hokkaido and deployed
throughout Japan

<Environment>

Started selling safe electricity at low prices to reduce energy costs at facilities

Securing routes to procure electricity at competitive prices

**Started proposals for switching electricity to commercial facilities, office buildings, and medical facilities in September.
Reduce facility energy costs while improving equipment operation by facility managers.**

In the medium-to long-term, we will develop a system that enables proposals for the use of renewable energy, and aim to minimize the environmental impact of facilities and contribute to the realization of a carbon-free society.

Major Initiatives in FY2/21 2Q ⑤ Group Reorganization

Promoted group reorganization to realize Aeon Delight Vision 2025 with these objectives: ① strengthen governance, ② improve capital productivity, and ③ clarify the functions and roles of each company

■ June 2020

Transferred ID Photo Machine Business* as part of the reorganization process of the former KAJITAKU's Store Support Business (current KJS Corporation).

* Transferred all shares of newly established companies to DNP Photo Imaging Japan Co., Ltd. after taking over KJS's ID photo Machine Business to the newly established company through a company split (new incorporation-type split)

■ August 2020

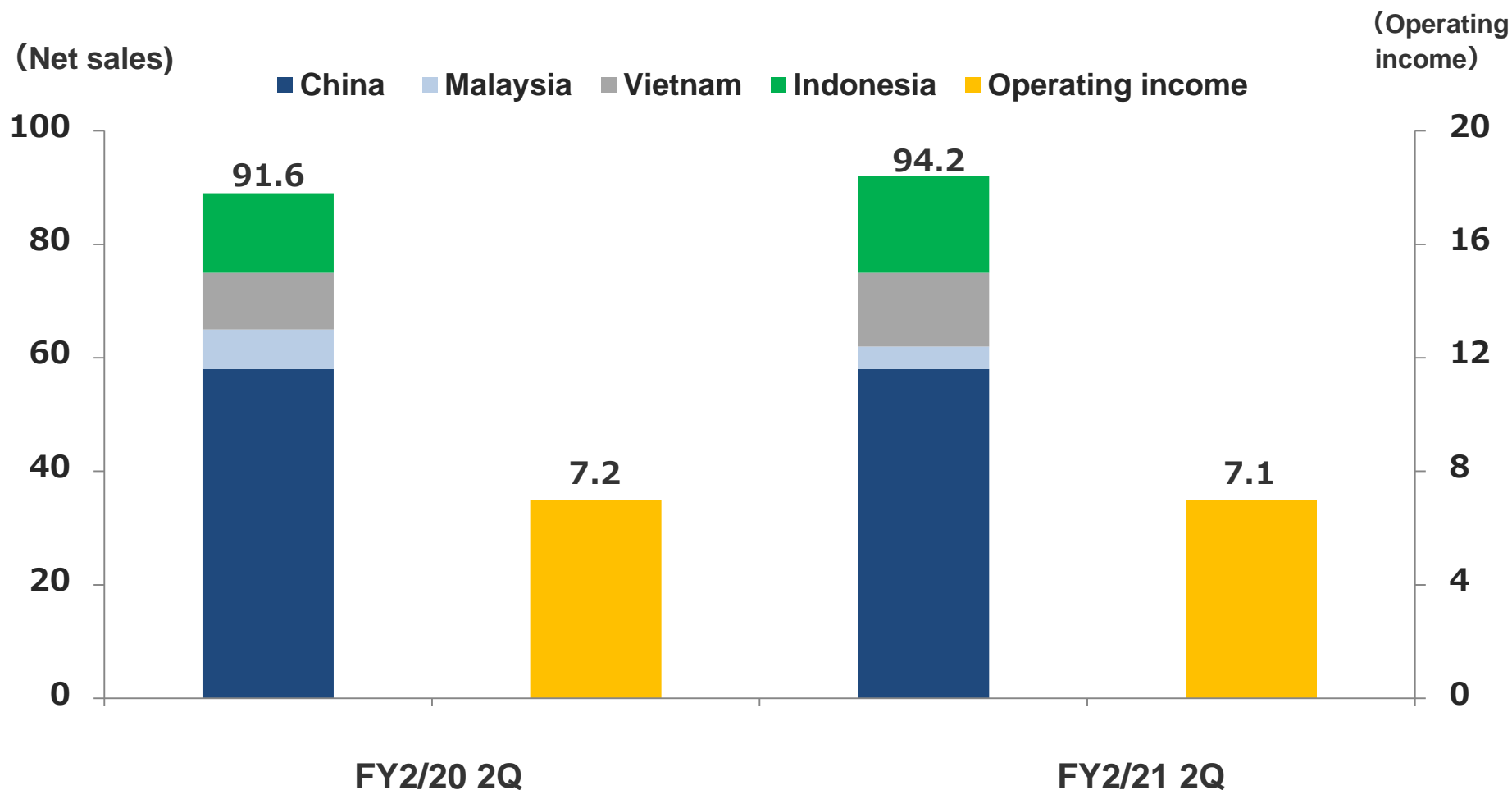
Resolved to merge A to Z Service Co., Ltd. with DO SERVICE co., Ltd. on March 1, 2021

Strengthen our competitiveness in small and medium-sized commercial facilities by providing total services from design to construction, facility management and cleaning throughout the country when a store is launched

Major Initiatives in FY2/21 2Q ⑥ Business Expansion in Asia

In overseas business, sales were 102.9% YoY, operating income was 98.7% YoY(*)

Overseas Business: Net Sales / Operating Income (100 million yen)



* Figures are simple totals of results of operating companies.

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2 Issues to be Addressed and Measures (Progress and Initiatives for 2H)

Position and Plan Figures for FY2/21

Year of laying the foundation for the realization of the “AEON DELIGHT Vision 2025**”

(100 million yen)	FY2/20 Result (Ratio to sales)	FY2/21 Forecast (Ratio to sales)	Percentage change
Net sales	3,085 (100.0%)	3,150 (100.0%)	102.1%
Operating income	160 (5.2%)	165 (5.2%)	103.1%
Ordinary income	159 (5.2%)	165 (5.2%)	103.4%
Net income attributable to owners of parents	93 (3.0%)	100 (3.2%)	107.0%

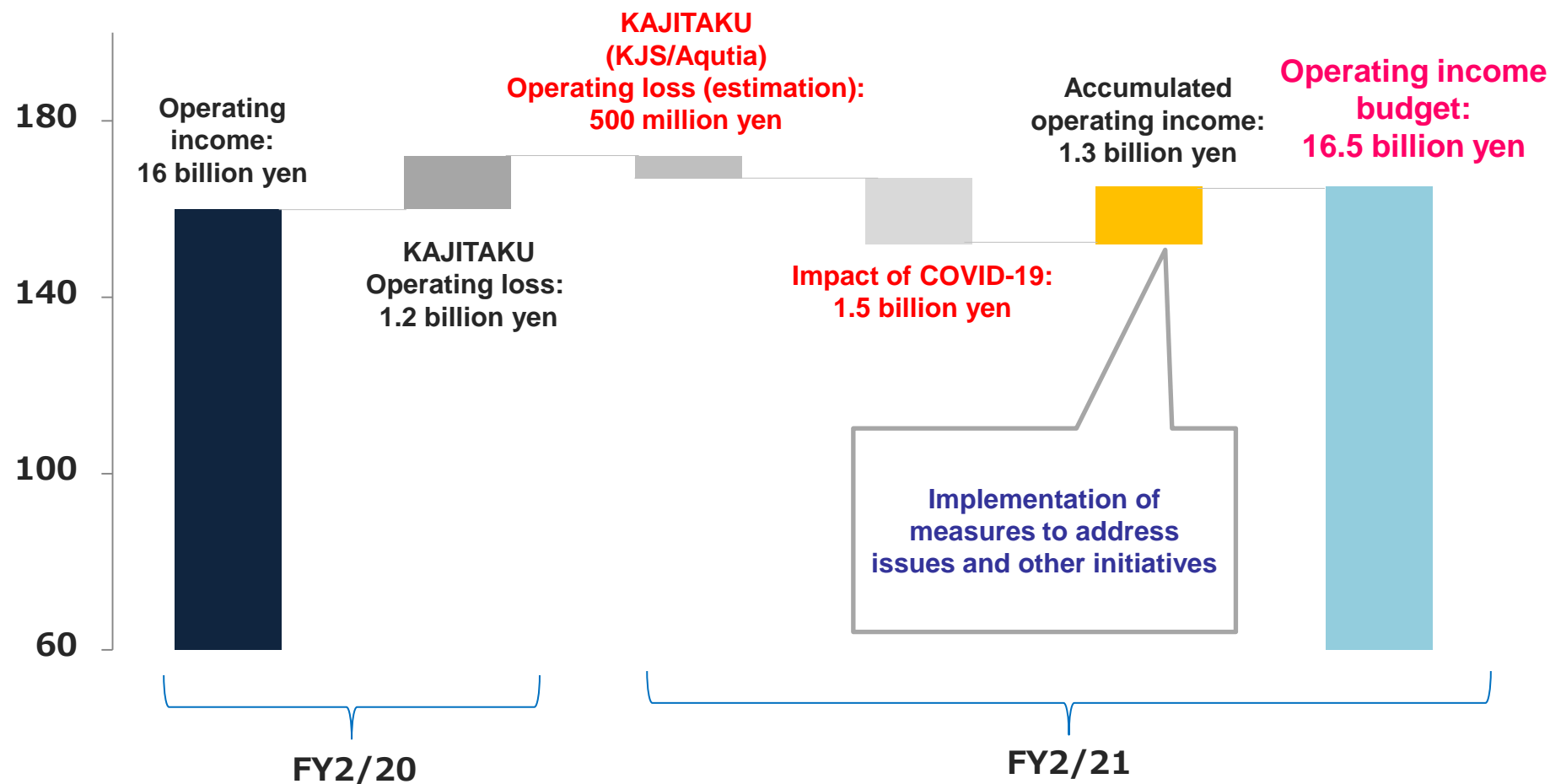
***Target figures adjusted for the impact of COVID-19**

* For more information about Aeon Delight Vision 2025, please refer to the "Financial Results for the Second Quarter of the Fiscal Year Ended February 28, 2019 (p. 12-17)" dated October 10, 2018.

Progress in Scenario for Achieving Operating Income Budget

Operating loss in the former KAJITAKU business and the impact of COVID-19 were in line with the plan.

(100 million yen)



Issues to be Addressed	① Measures ② Progress ③ Initiatives for 2H
<p>Deterioration in facility management profitability and a delay in measures against this</p>	<p>① Improve low-profit properties and reforming business processes ② No improvement due to the impact of rising outsourcing costs for existing businesses and other factors ③ In conjunction with ①, we will work to reduce costs by consolidating suppliers and optimizing the unit purchase price.</p>
<p>Deterioration in cleaning profitability and a delay in measures against this</p>	<p>① Improve low-profit properties and improve productivity ② Profitability improved on a non-consolidated basis by improving low-profit properties with horizontally sharing good examples of improvement on a site basis, but profitability declined at subsidiaries due to discontinued operations at commercial facilities and other factors. ③ Improve productivity, including at subsidiaries and partner companies, by rolling out best practices and expanding the introduction of cleaning robots</p>
<p>Insufficient building construction work contracting</p>	<p>① Expansion of renovation contracts ② There were some construction delays due to COVID-19 ③ Continue to expand orders for large-scale projects by participating from the design stage, and steadily capture orders for small-scale projects through cooperation with consolidated subsidiaries and partner companies, and expand outsourcing of construction projects that have not yet been implemented or environmental construction related to compliance</p>

Issues to be Addressed	① Measures ② Progress ③ Initiatives for 2H
<p>Deterioration in material-related profitability</p>	<ul style="list-style-type: none"> ① Expand trading volume and reduce logistics costs ② Through aggressive proposal activities from the beginning of the fiscal year, we expanded trading volume from the 2Q onwards, and built a structure that can utilize economies of scale. ③ Reduce costs through large-volume orders and improve logistics efficiency
<p>Impact of the Kajitaku case greater than expected</p>	<ul style="list-style-type: none"> ① Growth of the housekeeping support business and restructuring of the store support business ② Despite the fact that the growth of the housekeeping support business was not achieved the plan due to the impact of COVID-19, the operating loss of the former 2 companies of KAJITAKU was as planned. ③ <u>Housekeeping Support Business (Aqutia)</u> Promoting growth by developing products adapted to new lifestyles <u>OTC support business (KSJ)</u> Prompt implementation of reorganization procedures

Issues to be Addressed	Progress
Expand market share	Increase market share within existing customers by establishing account managers at companies with nationwide operations
Increase productivity	Aim to improve company-wide productivity by horizontally deploying area management based on patrol-type facility management promoted from Hokkaido

Improve profitability of the building maintenance business by expanding the introduction of the FM New Standard and reducing costs

1. Establish new standards in FM and expand the introduction

- Expand sales of epidemic prevention-related materials
- Proposals for improved ventilation
- New Standard Cleaning
- Construction of a contactless facility environment
- Raise awareness/knowledge of epidemic prevention among facility users

2. Improve the profitability of the four building maintenance businesses (facility management, security, cleaning and construction)

- **Reduce costs in each business by consolidating suppliers and optimizing purchase prices**

3. Reduce SG&A expenses by promoting work style reform

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

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

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

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

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

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Please contact us on our website.
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Based on information available up to the date of publication (October 7, 2020)
These forecasts have been prepared and are subject to change due to various factors going forward.