

Financial Results for the Nine Months Ended November 30, 2015

AEON DELIGHT CO., LTD. 

January 8, 2016

Changes in the business environment

- Due to the tight labor supply/demand situation in Japan, there is a growing sense of worker shortages, coupled with rising personnel costs. This is a major management issue for numerous companies.
- Despite some economic slowdown in China and the ASEAN region, construction investment remains robust, centered on large-scale commercial facilities, with a growing demand focus on energy conservation and efficiency.

Financial summary

- Sales and earnings increased and achieved the highest income by expanding customers in Japan and overseas (Net sales 210.6 billion yen, 105.7% YoY / Operating income 11.9 billion yen, 105.9% YoY)
- To reinforce its base of operations in the cleaning services, the Company made Hakuseisha Co., Ltd.—whose forte is in the department store cleaning business—into a consolidated subsidiary.
- To further enhance its competitive advantage, in its hygiene control services business the Company established systems to inspect for and analyze bacteria and viruses.
As part of its efforts to restructure cleaning operations, the Company is introducing water-soluble coatings. The Company has begun conducting demonstration experiments with a view to promoting more widespread use.
- To enhance its quality control system, the Company is promoting an initiative of cultivating audit leaders who will conduct ISO internal audits of all service center managers in Japan.

Recorded the highest sales and earnings thanks to steady increase in orders from large facilities and growth in performance of subsidiaries including overseas

100 million yen

	FY2/16 3Q			YoY	
	Amount	Pct. to net sales (%)	YoY (%)	Amount (actual)	Pct. to net sales (%)
Net sales	2,106	100.0	105.7	1,992	100.0
Operating income	119	5.7	105.9	113	5.7
Ordinary income	120	5.7	106.0	113	5.7
Net income	69	3.3	109.3	63	3.2

Net sales of each six businesses increased YoY

Double-digit increase in construction work business and support business

※ Installed large number of digital signage vending machines in the previous period

100 million yen

	FY2/16 3Q actual			YoY	
	Net sales	Composition ratio (%)	YoY (%)	Net sales	Composition ratio (%)
Facilities management	365	17.3	106.2	344	17.3
Cleaning services	351	16.7	106.5	330	16.6
Security services	281	13.4	103.7	271	13.6
Construction work	359	17.0	111.0	323	16.2
Materials/supplies sourcing services	375	17.8	105.7	354	17.8
Vending machine services	244	11.6	94.8	258	12.9
Support services	129	6.2	117.3	110	5.6

Facilities management	In addition to new consignments, the company is cultivating engineers trained in handling Type 1 refrigerants as part of its efforts to expand consignments. Aim for around 500 certified technicians.
Cleaning services	Increased shares in the hospital nursing market by providing the unique hygiene control services for medical-related facilities. Implemented the continuous quality improvement, in addition to sales of equipments.
Security services	Contracts for permanent and temporary security at newly opened facilities expanded, as did attendee welcoming services within facility security. 38 shops have brought in the latter.
Construction work	To increase customer drawing power, promoted proposals to corporations looking to invest in commercial facilities. Contracts are expanding well, centering on invigoration of existing shops and on maintenance and repair construction.
Materials/supplies sourcing services	Orders from both new and existing customers are increased. Continued to promote the initiatives for profitability improvement by enhancing procurement capability and reducing distribution costs.
Vending machine services	To bolster sales, developed and rolled out character designed beverages and specialized vending machines. To reform its business model, developed the signage vending machine advertisement business.
Support services	Expanded sales of housework services “KAJICloud” by KAJITAKU Co., Ltd. (about 140% YoY) Expansion of living support services contributed to the sales growth.

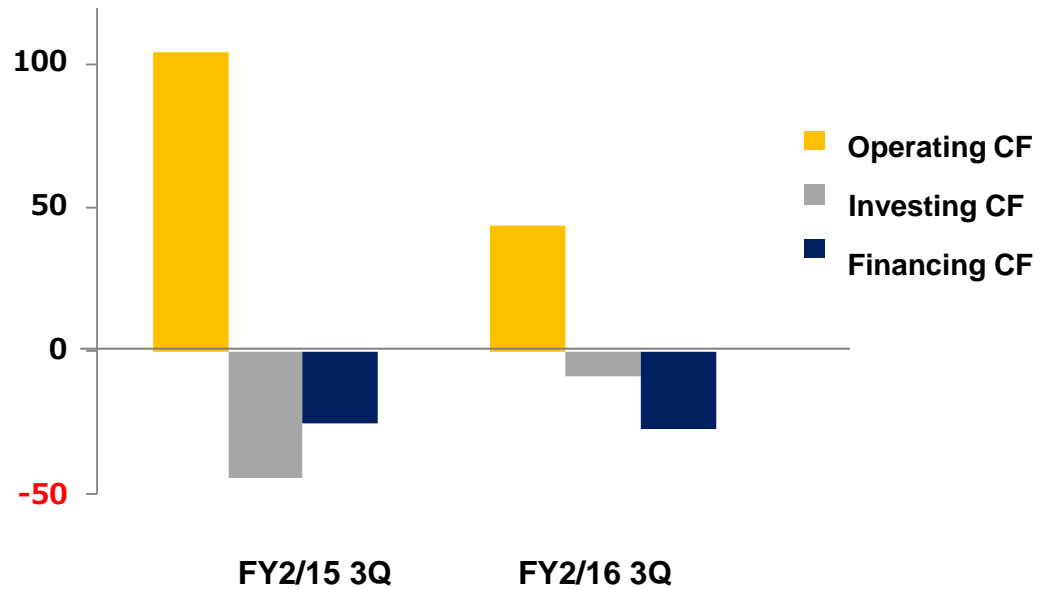
Consolidated Balance Sheet: FY2/16 3Q

100 million yen

	End of the previous fiscal year	End of the current quarter (Nov. 30, 2105)	Difference		End of the previous fiscal year	End of the current quarter (Nov. 30, 2105)	Difference
Current assets	1,044	1,065	2	Current liabilities	466	441	▲25
Fixed assets	215	214	▲1	Fixed liabilities	19	17	▲1
Tangible fixed assets	43	45	2	Total liabilities	485	458	▲26
Intangible fixed assets	109	106	▲3	Total net assets	774	821	46
Investments, etc	62	62	▲0	Total liabilities and net assets	1,260	1,279	19
Total assets	1,260	1,279	19				

Consolidated Cash Flow Statement: FY2/16 3Q

100 million yen



Major factors for increase/decrease(100 million yen)

【 Operating cash flows 】 44

Income before income taxes	121
Decrease (increase) in accounts receivable	▲13
Increase (decrease) in accounts payable	0
Decrease (increase) in consumption tax payable	▲14

【 Investing cash flows 】 ▲9

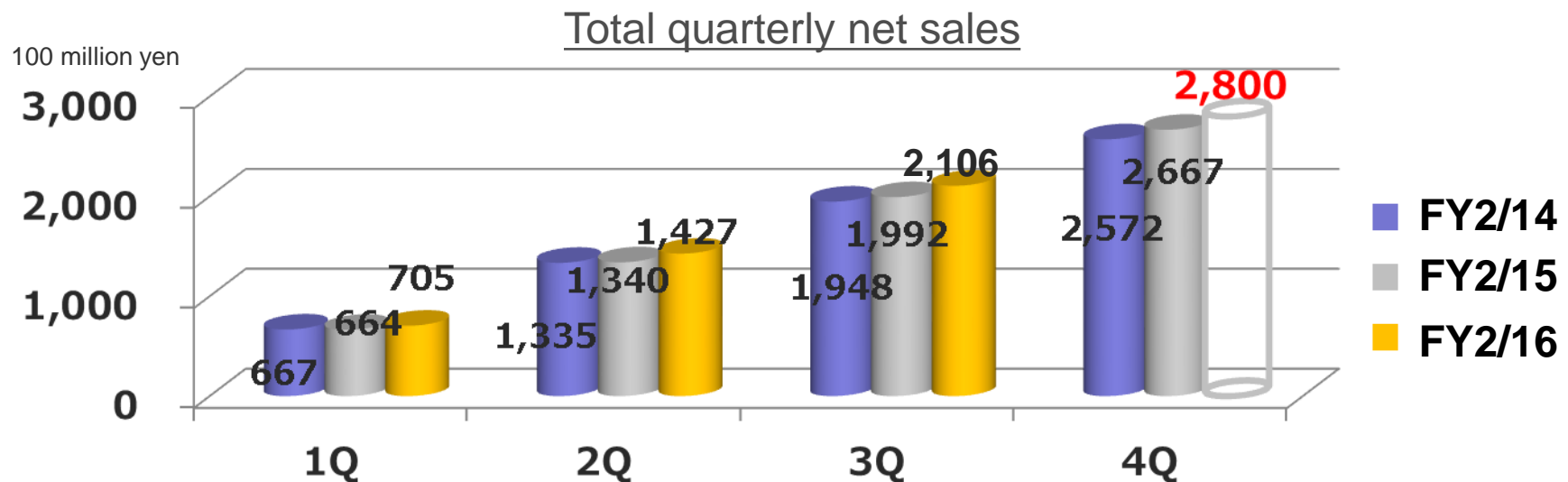
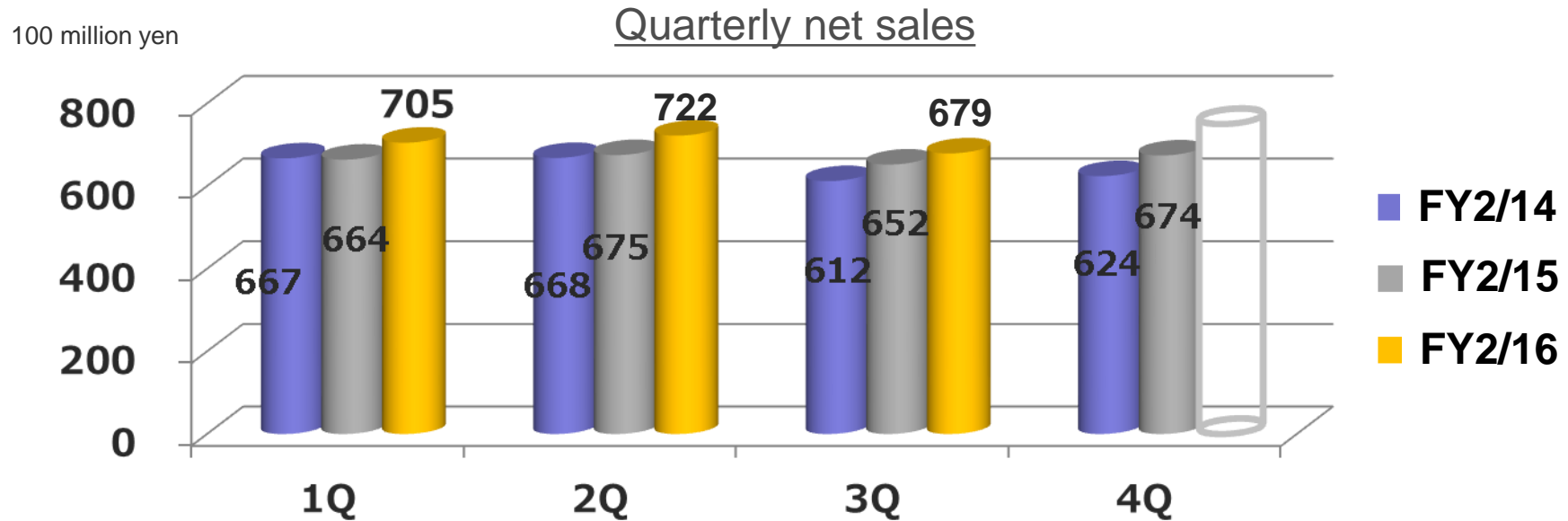
Increase (decrease) in deposit of subsidiaries and affiliates for consumption	12
Loss (gain) on purchase/sales of fixed assets	▲19

【 Financing cash flows 】 ▲27

Dividend payment	▲26
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	FY2/15 3Q	Current quarter FY2/16 3Q	Change
Cash flows from operating activities	104	44	▲60
Cash flows from investing activities	▲44	▲9	35
Cash flows from financing activities	▲25	▲27	▲1
Cash and cash equivalents at the end of year	154	161	6

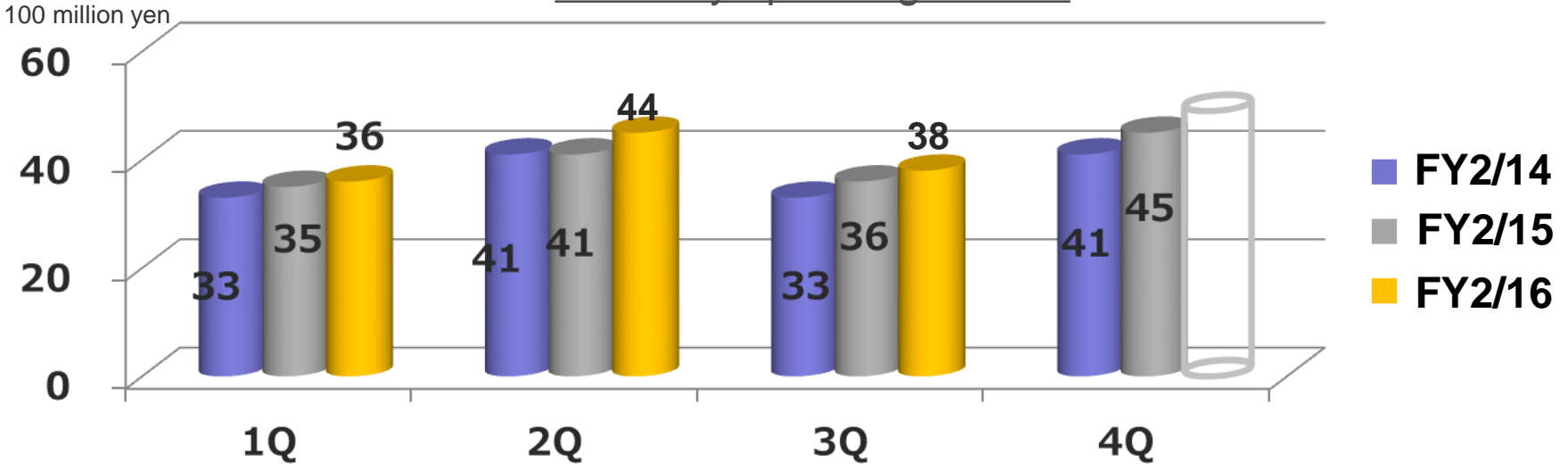
Quarterly Net Sales for the Past Three Years



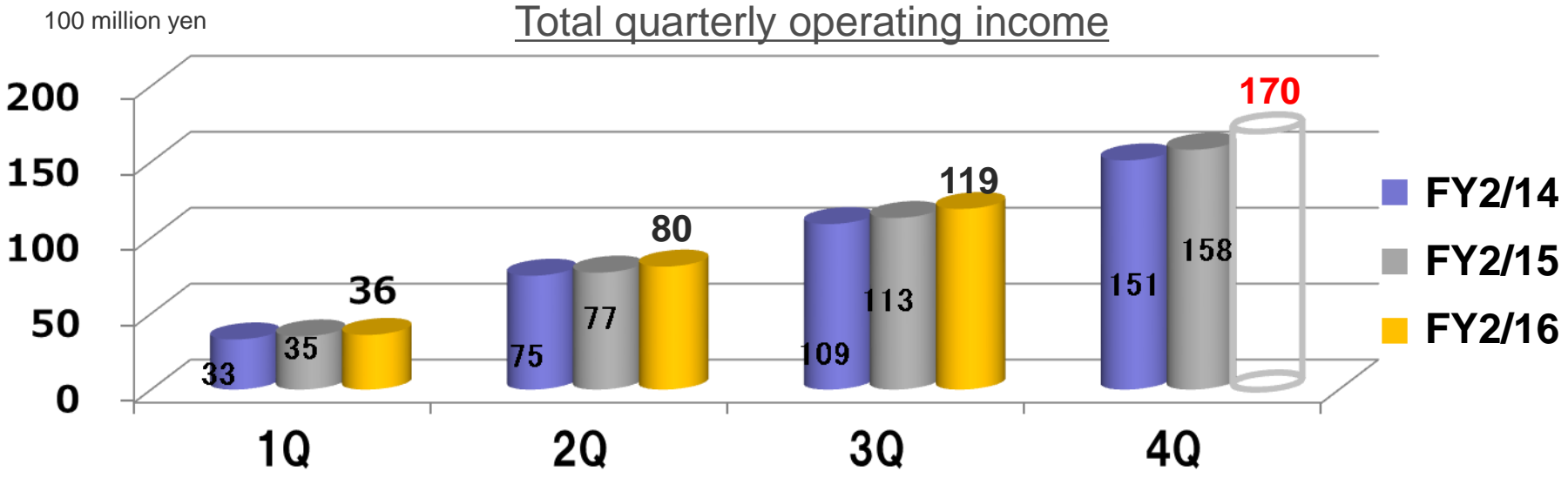
Quarterly Operating Income for the Past Three Years



Quarterly operating income



Total quarterly operating income



■ Strengthen business competitiveness

Cleaning

- Expand provision of hygiene control services by putting in place a system to inspect for and analyze bacteria and viruses.
- Through synergies with Hakuseisha, expand the customer base, including department stores.
- Challenge to cleaning reform: penetration of soluble coat coating, cleaning robotics development

Energy solution

Efforts to build a new facility management model: Use networked equipment employing various types of sensors to monitor equipment more closely and enable remote control, thereby achieving better operational efficiency and customer cost reductions

Asia

China: Enhance quality and corporate governance system, with increasing customers
Malaysia: Strengthen business foundation by providing services in collaboration with prominent local companies (3Q)
Accelerate the expansion of customer service provision
Viet Nam: Accelerate customer expansion by augmenting the sphere of operations into Hanoi

■ Enhance the organizational framework

Cultivating Audit Leaders to Boost On-Site Quality

Conduct training to cultivate audit leaders, enabling ISO audits of more than 400 managers of service centers in Japan. Engage in ongoing improvement and cultivate an environment for maintaining or enhancing service quality.

(Reference)Initiatives for FY2/16

“Favorable conditions and great opportunities” -- Following wind for AEON delight in a management environment

FY2/16 is year to decide the match: Capture market share in Japan and Asia

《Perceptions of the domestic management environment》

- (1) Inflationary trends will change the management environment. Though pressure will come from cost increases and hiring difficulties, there are opportunities in our competitive environment. Oligopolization in the market will enhance.
- (2) At large facilities, tendencies toward bundled entrusting of facility management services are notable, increasing switching of outsourcers (many inquiries from hospitals, universities, large corporations)
- (3) Greater consciousness of emergency responses and safety in abnormal weather and natural disasters
- (4) Retail industry is experiencing a difficult struggle since last year's consumption tax rate hike. Increase in investment interest at commercial facilities.
- (5) Full scale invasion of the industry by foreign major companies and companies in other industries is nearing. Competition will soon be characterized by facility management by international standard specifications and by reform-driven innovation.

《Perceptions of the management environment in China》

- (1) Real estate market shifts point to waning condominium demand, particularly in the major cities. The priority trend is away from expansion and toward quality. In commercial facilities, energy conservation is inevitable.
- (2) Business areas will be expanded centering on companies that join our Group by means of joint venture strategies. We are searching for new energy conservation partners. The pace of China's commercialization is extremely high.

《Perceptions of the ASEAN management environment》

- (1) The stages of FM business development vary by country. Singapore and Malaysia are advanced countries in FM operations, and foreign companies in Europe and the U.S. have made advances there, but no company is overwhelmingly prominent.
- (2) The business is undeveloped, and it is necessary to build an industry top class business foundation before a competitive landscape is fixed up.

① Further expand customers

- ① Supplement the new sales force
- ② M&A (facilities management subsidiaries of major companies)
- ③ Focus on capture of hospital nursing facilities
- ④ Reinforce the sales of patrol centers
- ⑤ Develop continuous sales
- ⑥ Expand the route of customer introductions from consulting companies

② Establish competitive advantages

- ① Secure labor power and cooperating companies
- ② Added value creation, innovation

Hygiene control business : Develop cleaning robots and put it into practical use

Energy solution business : R&D of next-generation facility management

③ Expand the business in Asia

- ① China : Expand the business area, reorganization, create product models for energy conservation packages by means of alliances
- ② Malaysia : Cultivate customers with ESCO business. Promote to change the outsourcing contractor of facilities, operated by AEON group, to AEON delight. Increase contracts outside the AEON group.
- ③ Vietnam : M&A, Accelerate the growth by means of alliances, Establish Hanoi Office

Business Forecast for FY2/16

(100 million yen)

	Full-year forecast for FY2/16			FY2/15 actual	
	Amount	Pct. to net sales (%)	YoY (%)	Amount (Actual)	Pct. to net sales (%)
Net sales	2,800	100.0	105.0	2,667	100.0
Operating income	170	6.1	107.2	158	5.9
Ordinary income	170	6.1	106.6	159	6.0
Net income	94	3.4	107.7	87	3.3

FY2/16 Operating income **¥17billion** YoY **+¥1.2billion**

Measures

YoY change

Measure 1: Expand customers
outside the AEON Group

¥1-1.5 billion

Measure 2: Improve profitability of each business

¥1-1.5 billion

Measure 3: Grow the subsidiaries' businesses

¥0.5 billion

Measure 4: Expand contract of AEON Group

¥0.5 billion

1-4 Total: Increase in gross profit margin

¥3-4 billion

YoY Increase in SG&A

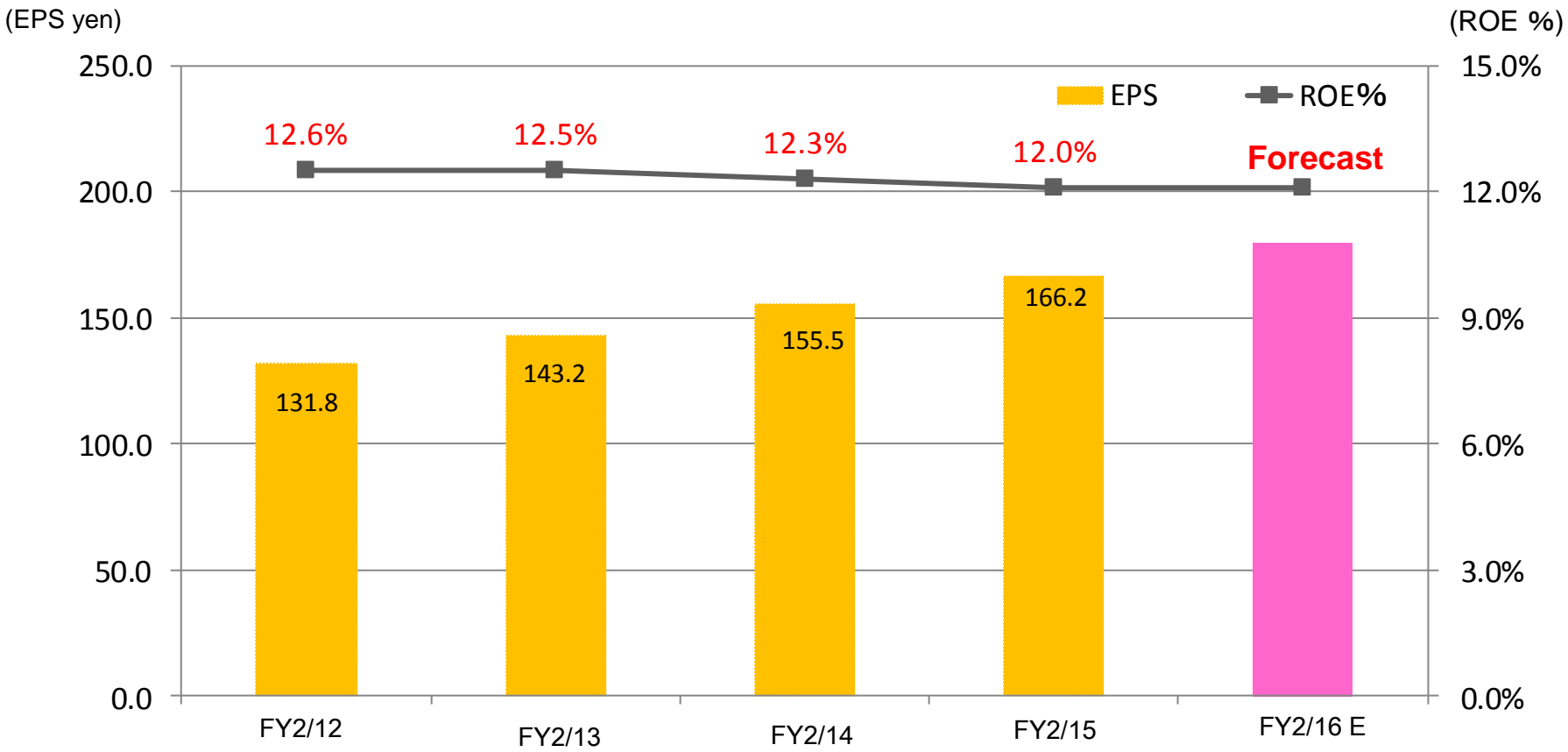
▲¥2 billion

YoY Increase in operating income

¥1-2 billion

Regard **ROE** as an important indicator, and maintain **12%** level

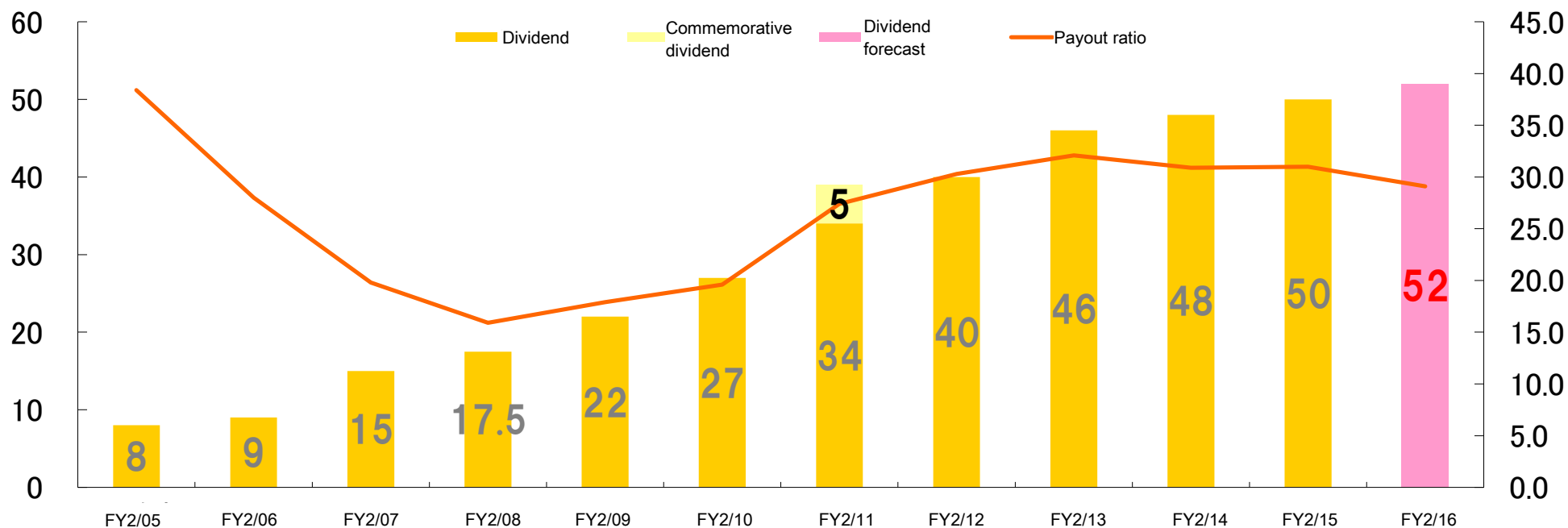
- **ROE** : Emphasize the ROE as a management discipline for shareholders, with aiming point of 12% level
- **Dividend ratio** : Place the most importance on stable dividend, maintain 30% level of payout ratio for recent five years



Shareholder Return

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

	FY2/04	FY2/05	FY2/06	FY2/07	FY2/08	FY2/09	FY2/10	FY2/11	FY2/12	FY2/13	FY2/14	FY2/15
Dividend	¥8.0	¥9.0	¥15.0	¥17.5	¥22.0	¥27.0	¥39.0	¥40.0	¥46.0	¥48.0	¥50.0	¥52.0
Payout ratio	38.4%	28.0%	19.8%	15.9%	17.9%	19.6%	27.4%	30.3%	32.1%	30.9%	30.1%	29.1%



*On December 1, 2007, the company conducted a two-for-one stock split. The dividend amount assumes that the stock split was conducted at the beginning of FY2/05.

*A commemorative dividend of 5.00 yen is included in the year-end dividend for FY2/11.

- 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 (January 8, 2016).
The business forecasts may be revised due to various factors that may arise in the future.