

**Financial Results for the Fiscal Year Ended
February 28, 2019**

AEON DELIGHT CO., LTD.

Kazumasa Hamada, President and CEO

June 28, 2019

0 Inappropriate Accounting by our Consolidated Subsidiary KAJITAKU CO., Ltd.

1 Financial Report for the Fiscal Year Ended February 2019

2 Initiatives for the Fiscal Year Ending February 2020

Inappropriate acts by KAJITAKU Identified through Investigation

- ① Recording of sales from uninstalled property invoicing
- ② Recording of fictitious sales through profit and loss adjustment, etc.
- ③ Unrecorded purchases of ID photo machines , etc.
- ④ Unrecorded purchases of used copiers, etc.
- ⑤ Unrecorded purchases of new copiers, etc.
- ⑥ Inventory valuation, etc. that do not reflect actual conditions
- ⑦ Other inappropriate acts

Recommendations from the Special Investigation Committee

1. Recommendations for improvement concerning the management of our subsidiaries

- (1) Changes in the consciousness of our executives**
- (2) Review of budget control-oriented subsidiary management system**
- (3) Clarification of divisions and executives in charge of improvement of subsidiaries' compliance structures, etc.**
- (4) Expansion of Compliance division, Affiliated companies administration division and Management audit division**
- (5) Dispatch of full-time executives and staffs to subsidiaries**

2. Recommendations for recurrence prevention measures at KAJITAKU

- (1) KAJITAKU's management reshuffle, increase directors**
- (2) Reform corporate culture, change in compliance consciousness**
- (3) Enhancement of KAJITAKU's Administration division (Accounting division in particular)**
- (4) Improvement of KAJITAKU's compliance structure, organizational reform**
- (5) Clearly state business procedures and workflow and thoroughly comply with them**

Strengthen group governance structure in accordance with recommendations from the Special Investigation Committee

Concentrated our emphasis on the governance of the Company itself and group governance functions for subsidiaries were inadequate



To accelerate the entire AEON Delight Group's growth strategy and to strengthen group governance structure once again

**we will establish 3 pillars of group governance
(①Budget control, ②Growth strategies of each company, ③Internal control system)**

Basic Policies for Recurrence Prevention Measures

We will develop and implement effective recurrence prevention measures in accordance with recommendations from the Special Investigation Committee to avoid a recurrence of such a situation

Basic Policies for Recurrence Prevention Measures

1. Our Company's recurrence prevention measures

- (1) Changes in the consciousness of our executives to further promote compliance structure
- (2) Review of subsidiary management system to support stable and sustainable growth of the group companies
- (3) Improvement of compliance structures of the group companies
- (4) Improvement of the organization to carry out audits from the viewpoint of the group companies' healthy business support, appropriate monitoring and prevention of inappropriate acts
- (5) Dispatch of full-time executives and staffs engaged in businesses on a daily basis, early detection of inappropriate acts through personnel exchanges and improvement of corporate culture

2. Recurrence prevention measures at KAJITAKU

- (1) Management reshuffle, delivery of compliance-oriented message by the new President
- (2) Reform corporate culture, change in compliance consciousness
- (3) Ensuring of reliability of financial, accounting and budget businesses, visualization of operations
- (4) Establishment of compliance structure, compliance with company rules and thorough monitoring
- (5) Clearly state business procedures and workflow and thoroughly comply with them

***We will inform you on the specific recurrence prevention measures as soon as a decision is made.**

Effect on the consolidated financial statements

(Cumulative effect on net assets during the entire survey period)

Cumulative Adjustments for 5 Fiscal Years (FY2/14-FY2/18) and FY2/19

	Item	Issue amount (100 million yen)	Summary
①	Modification of Uninstalled Property Claims	- 22	Cumulative effect on net assets during the entire survey period
②	Adjustment for fictitious sales	- 26	
③	Purchase adjustment for ID photo machines	- 17	
④	Adjustment for purchase of used copiers	- 12	Reporting period (From March 2013 to the end of February 2019)
⑤	Other purchase adjustment	- 2	
⑥	Valuation loss on inventories	- 12	
⑦	Revision to confirm accounts receivable balance	- 0.4	
⑧	Revision of suspense accounts	0.5	
⑨	Other adjustments	- 2	
	Cumulative effect found by the investigation of the Special Investigation Committee (subtotal)	- 97	
⑩	Amount of change in revenue recognition standard (*)	- 37	
	Cumulative effect for the past years and for the fiscal year ended February 2019 (subtotal)	- 135	
⑪	Total allowance (*)	- 27	
	Total cumulative impact	-162	

* More information about ⑩ and ⑪ is described on the following page.

Effect on the Consolidated Financial Statement (Supplementary Explanation on the Breakdown of Adjusted Accumulated Amount⑩)

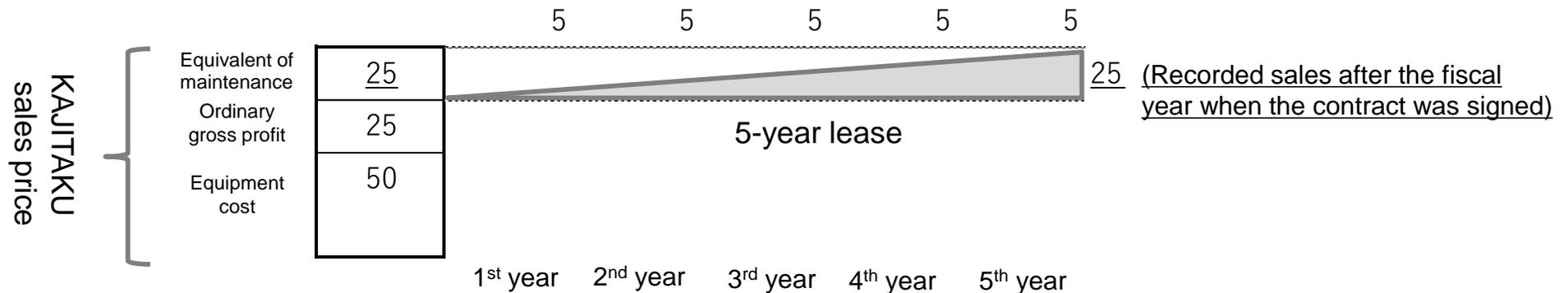
⑩ Change in the amount of revenue recognition standard

-3.7 billion yen

The sales prices of equipment such as KAJITAKU's copiers and ID photo machines indicate that the company received maintenance revenues in advance over the lease term, and it turned out that these are recorded as sales at the time of equipment sales

▶ We made prior period adjustments and recorded sales appropriately after the fiscal year when the contract was signed as it is considered that the amount received in advance should be recorded on an accrual basis.

Conceptual diagram of the process for receiving maintenance cost in advance



Effect on the Consolidated Financial Statement (Supplementary Explanation on the Breakdown of Adjusted Accumulated Amount②)

⑪ Amount of allowance recorded

-2.7 billion yen

To achieve sales budget in the Store Support Business, KAJITAKU carried out excessive sales measures (KAJITAKU compensates for losses when sales fall below the guaranteed minimum sales)

Recorded future compensation for losses identified based on the contract as allowance as of the end of February 2019

With the aim of reducing future cash outflow, a special assignment team has already been set up and began negotiations toward appropriate maintenance cost and dissolution of loss compensation contract

Effect on the Consolidated Financial Statement (FY2/14-FY2/16)

(100 million yen)

Fiscal year	FY2/14			FY2/15			FY2/16		
	Before correction	After correction	change	Before correction	After correction	change	Before correction	After correction	change
Net sales	2,572	2,566	-5	2,667	2,655	-11	2,810	2,779	-31
Gross profit	337	332	-4	351	342	-8	373	348	-25
Operating income	151	146	-4	158	153	-4	167	145	-21
Ordinary income	150	146	-4	159	154	-4	166	145	-21
Net income	81	70	-11	87	79	-7	96	72	-24
Net assets	713	701	-11	774	755	-19	840	796	-43
Total assets	1,121	1,110	-11	1,260	1,245	-14	1,313	1,294	-19

Impact on Consolidated Financial Statements (FY2/17-FY2/19)

(100 million yen)

Fiscal year	FY2/17			FY2/18			FY2/19	
	Before correction	After correction	change	Before correction	After correction	change	Result	YoY
Net sales	2,947	2,926	-21	2,958	2,923	-34	3,029	103.6%
Gross profit	389	357	-32	389	348	-40	354	101.7%
Operating income	172	141	-31	168	129	-39	130	100.9%
Ordinary income	173	142	-31	172	133	-39	133	99.9%
Net income attributable to owners of parent	102	70	-31	103	63	-39	64	100.3%
Net assets	920	846	-74	1,005	891	-114	755	84.7%
Total assets	1,395	1,378	-16	1,468	1,446	-21	1,346	93.0%

[Basic policy]

Verify business continuity on the assumption that the Company will not record further loss

● Housekeeping Support Business

The market is expected to expand in the future

▶ Consider pursuing growth through efficient management from the perspective of “selection and concentration”

● Store Support Business

Difficult to expect future growth although it has a certain size of market

▶ Temporarily stop selling and placing new equipment, and focus on improving existing contracts

【 KAJITAKU 】

Person	Action
Former President	Dismissal
Former Director in charge of Store Support business	Dismissal

and imposed disciplinary actions against 6 people concerned
(5 executive staffs and 1 staff)

Clarification of Management Responsibility

【AEON delight】

Title	Name	Action
Chairperson	Ippei Nakayama	Removal
President & CEO	Kazumasa Hamada	30% cut of remuneration for six months
Executive Vice President	Nobuo Yamazato	10% cut of remuneration for one month
Senior Managing Director	Yukio Furukawa	Removal
Managing Director	Motoyuki Shikata	10% cut of remuneration for one month
Managing Director	Hideyuki Mito	10% cut of remuneration for one month
Director	Tajiro Yashi	10% cut of remuneration for one month
Director	Hiroki Sadaoka	10% cut of remuneration for one month

and imposed disciplinary actions against 6 people concerned
(5 executive staffs and 1 staff)

We would like to express our deepest apologies to our stakeholders for their serious inconvenience and concern.

0 Inappropriate Accounting by our Consolidated Subsidiary KAJITAKU CO., Ltd.

1 **Financial Report for the Fiscal Year Ended February 2019**

2 Initiatives for the Fiscal Year Ending February 2020

Consolidated Income Statements

Net sales increased due to the expansion of new customers and the growth of overseas subsidiaries.
On the other hand, profits were significantly below the plan due to the impact of the matters at KAJITAKU Co., Ltd.

(100 million yen)

	FY2/18 (Ration to sales)		FY2/19 (Ration to sales)		Difference	Percentage change
Net sales	2,923	(100.0%)	3,029	(100.0%)	105	103.6%
Gross profit	348	(11.7%)	354	(11.9%)	5	101.7%
SG&A expenses	219	(7.4%)	224	(7.5%)	4	102.1%
Operating income	129	(4.3%)	130	(4.4%)	1	100.9%
Ordinary income	133	(4.4%)	133	(4.5%)	▲1	99.9%
Net income attributable to owners of parent	63	(2.1%)	64	(2.2%)	1	100.3%

* Initial plan: net sales of 305.0 billion yen, operating income of 18.5 billion yen

* Percentage change is compared to the revised consolidated results for FY2/18.

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

Net sales increased due to the expansion of new customers and the growth of overseas subsidiaries.

Operating income increased, driven by capital management and construction

[Reference]	FY2/18		FY2/19		Difference	Percentage change
	(Ration to sales)		(Ration to sales)			
Net sales	2,876	(100.0%)	2,974	(100.0%)	98	103.4%
Gross profit	370	(12.8%)	384	(12.9%)	14	103.9%
SG&A expenses	209	(7.3%)	214	(7.2%)	4	102.2%
Operating income	160	(5.6%)	170	(5.7%)	9	106.1%

(100 million yen)

Sales by Segment

Increase sales in 6 businesses. Cultivate new customers in Japan and overseas for cleaning and facilities management services.

Construction orders grew in the 2H of the fiscal year in line with initial forecasts, and sales increased.

(100 million yen)

	FY2/18	FY2/19	Percentage change
Facilities management	526	563	107.0%
Security services	432	444	102.8%
Cleaning services	552	581	105.2%
Construction work	408	414	101.4%
Materials/supplies sourcing services	502	510	101.5%
Vending machine services	328	319	97.3%
Support services	171	194	113.4%
(Reference) Excluding KAJIYAKU	123	139	113.2%
Total	2,923	3,029	104.3%

Profit by Segment

Increase sales in 4 businesses. Achieved double-digit growth in facility management and construction work. Vending machines are undergoing a transition to a revenue model, and support services are suffering a large loss due to the matters by KAJITAKU.

(100 million yen)

	FY2/18	FY2/19	Percentage change
Facilities management	46	55	119.7%
Security services	28	28	100.8%
Cleaning services	62	66	107.5%
Construction work	33	39	120.7%
Materials/supplies sourcing services	28	27	96.9%
Vending machine services	21	11	55.3%
Support services	-14	-22	- %
(Reference) Excluding KAJITAKU	17	17	103.5%
Total	205	207	101.2%

Consolidated Balance Sheet

(100 million yen)

Assets	FY2/18	FY2/19	Difference
Current assets	1,183	1,087	▲ 96
Tangible fixed assets	100	101	1
Intangible fixed assets	78	81	3
Investments, etc.	85	75	▲ 10
Fixed assets	263	258	▲ 5
Total assets	1,446	1,346	▲ 100

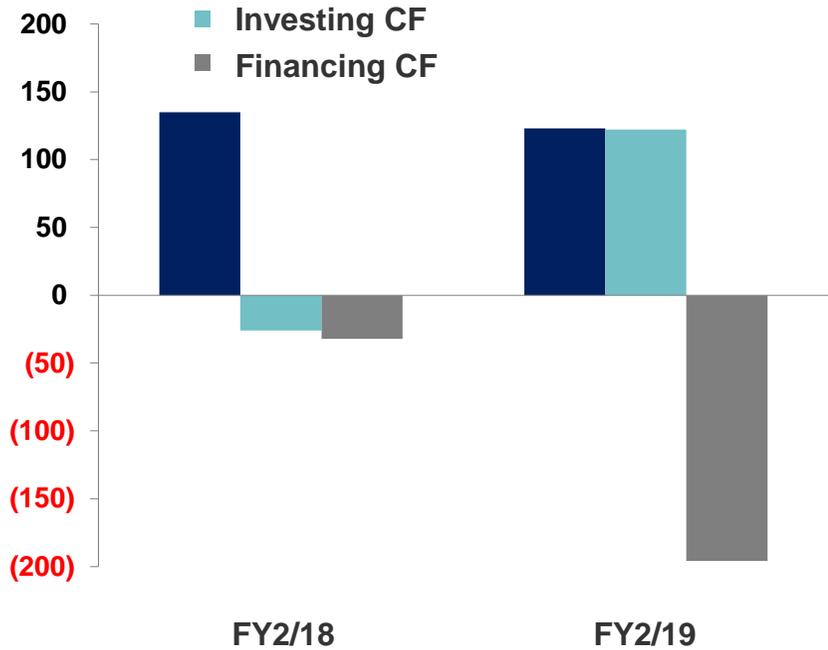
Liabilities and net assets	FY2/18	FY2/19	Difference
Current liabilities	490	514	23
Fixed liabilities	64	76	11
Total liabilities	555	590	35
Shareholder's equity	845	727	▲ 118
Total net assets	891	755	▲ 136
Total liabilities and net assets	1,446	1,346	▲ 100

Consolidated Cash Flow Statement

(100 million yen)

(100 million yen)

■ Operating CF
■ Investing CF
■ Financing CF



	FY2/18	FY2/19	Difference
Cash flows from operating activities	135	123	▲ 11
Cash flows from investing activities	▲ 26	122	149
Cash flows from financing activities	▲ 32	▲ 196	▲ 164
Cash and cash equivalents at the end of year	387	434	47

Balance Sheet

(100 million yen)

Assets	FY2/18	FY2/19	Difference
Current assets	959	846	▲ 110
Tangible fixed assets	66	66	0
Intangible fixed assets	70	61	▲ 9
Investments, etc.	202	296	94
Fixed assets	338	423	84
Total assets	1,295	1,269	▲ 26

Liabilities and net assets	FY2/18	FY2/19	Difference
Current liabilities	367	375	8
Fixed liabilities	89	123	34
Total liabilities	457	499	42
Shareholder's equity	821	757	▲ 64
Total net assets	837	770	▲ 67
Total liabilities and net assets	1,295	1,269	▲ 26

1 Safety

- Recovery support through providing services to disaster-stricken areas such as earthquakes, torrential rains, and typhoons
- Aggressive proposal activities to support the development of disaster prevention and disaster mitigation systems

2 Labor shortage

- Established a joint venture with a local AI company in Shanghai, China (April)
- Introduced "Delight Viewer" , a distributed management system (October)
- Introduced and started sales of automated floor cleaning robots (November)
- Constructed labor-saving model for Security services at commercial facilities due to collaboration with SECOM CO.,LTD

3 Environment

- Participation in a demonstration project for electric power exchange utilizing blockchain technology
- Newly established “Electricity Planning Department” in October to operate Energy Management Services.

International standard for facility management (FM)

Acquired ISO 41001 certification for the first time as a Japanese company

ISO 41001

**Require support for growth of companies
and organizations through FM**

**Building a leading level of business quality in the FM Industry
for branding in global markets**

Group results for FY2/19 excluding KAJITAKU
Both net sales and operating income increased.

[Reference]

(100 million yen)

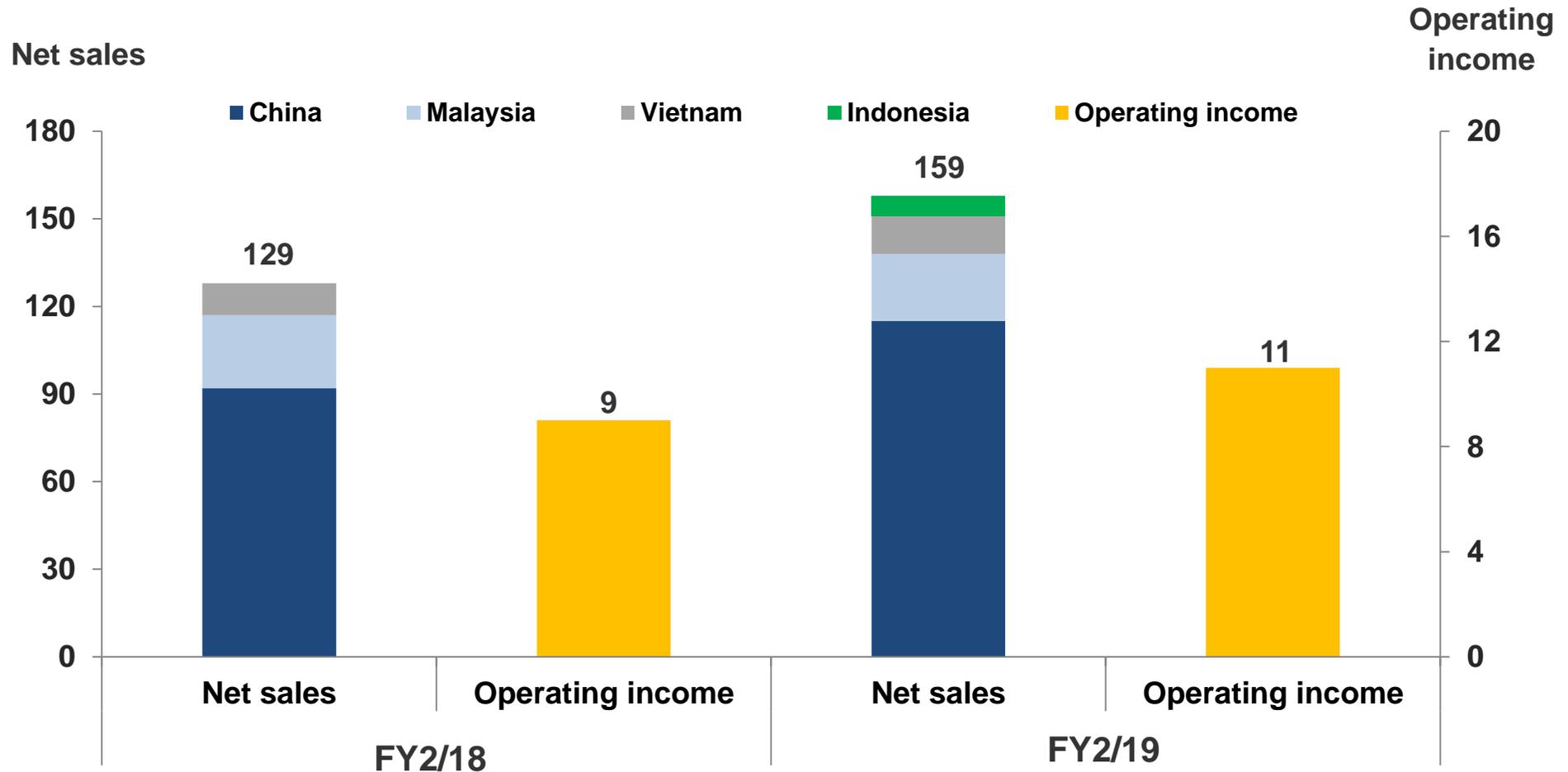
	FY2/17	FY2/18	FY2/19
Net sales	2,863	2,876	2,974
Operating income	164	160	170

* The above is the consolidated results based on the KAJITAKU's results on a zero basis.

Business expansion in Asia

Double-digit growth in both sales and operating income in the Overseas Business (*)

Overseas Business Sales and Operating Income (100 million yen)



* Figures are simple totals of results of operating companies.

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To Accelerate Our Growth Strategy

- **Strengthen the Group Governance System, in addition to measures to prevent the recurrence of KAJITAKU matter**
- **Review of medium-to long-term growth strategies including the “Aeon Delight Vision 2025”**

**Strengthen our management foundation
To return to a growth path as a Group**

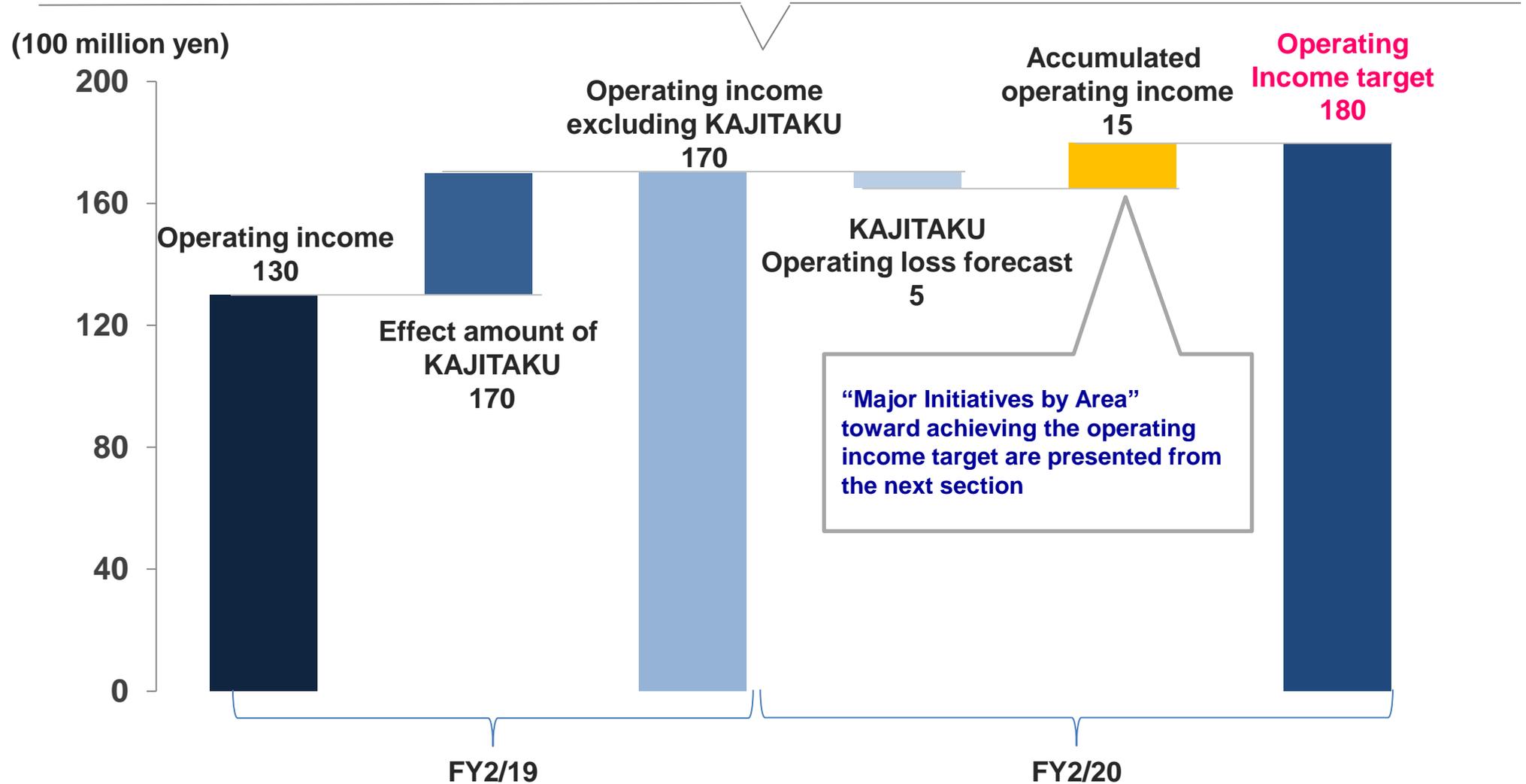
Target for FY2/20

(100 million yen)	FY2/19 Result		FY2/20 Forecast		Percentage change
	(Ratio to sales)		(Ratio to sales)		
Net sales	3,029	(100.0%)	3,150	(100.0%)	104.0%
Operating income	130	(4.4%)	180	(5.7%)	138.2%
Ordinary income	133	(4.5%)	180	(5.7%)	134.7%
Net income attributable to owners of parent	64	(2.2%)	108	(3.4%)	168.4%

Target Achievement Scenario for Income

Aim to achieve the operating income target

by the growth of the parent company and domestic and overseas subsidiaries



Maintain strong trend and steadily expand FM business in Japan, China and ASEAN

Japan

- Establish Regional Economic Zones in each area to help solve the 3 society issues of safety, labor shortage, and the environment

China

- Accelerating business expansion through “One Aeon Delight Strategy”

ASEAN

- Expanding business in Indonesia through SJS, which was acquired in the previous fiscal year

Realize management on a regional basis at the initiative of branch offices to create a Regional Economic Zones

**Redefine the role of Branch Managers
along with restructuring branch office functions**

- **Build a trusting relationships with customers, government, business community and organizations as a manager**
- **Create a regional economic zones and build a foundation for business growth in the region**

Established a branch office management structure by structural reform as of March 1, 2019

Expansion of orders through improvement in communication with customers in each area

Activate communication with customers

And expand orders for building maintenance business through stronger relationships

(Example of Efforts in 2019) Organizational Restructuring of the Kyushu Branch

- **Established a regional system by prefecture.**
Kyushu-Minami Branch, which previously had jurisdiction over Kumamoto, Miyazaki, and Kagoshima, was dissolved and "Sales Offices" were newly established in each prefecture.
- **Promoted young human resources who were in charge at work-sites as Sales Office Managers**

Contact frequency increased and are well received by customers in each prefecture (also has positive impact numerically)

Raised the morale of young human resources and led to organizational activation.

We will strengthen relationships with local subcontractors

Expand to other branch offices as a good example

**Newly establish “Construction division” in Kanto and Kansai branch offices
Improve community-based contract system in cooperation with the existing eastern
Japan and western Japan Construction divisions**

FY2/19 : Strengthened the structure of planning and designing field

▶ **Accuracy of contract for work improved at the proposal of upstream. Orders for large scale constructions expanded from the 2nd half**

FY2/20 : Improve the structure capable of undertaking various renovation works in close relation to the community

▶ **Expand orders for various renovation works by strengthening relationships with local subcontractors**

Making steady progress toward the creation of regional economic community in the Construction work

Promote initiatives to eliminate labor shortages in collaboration with Secom Co., Ltd.
Expanding service provision to small and medium-sized offices by strengthening non-on-site management

信頼される安心を、社会へ。

SECOM



AEON delight 

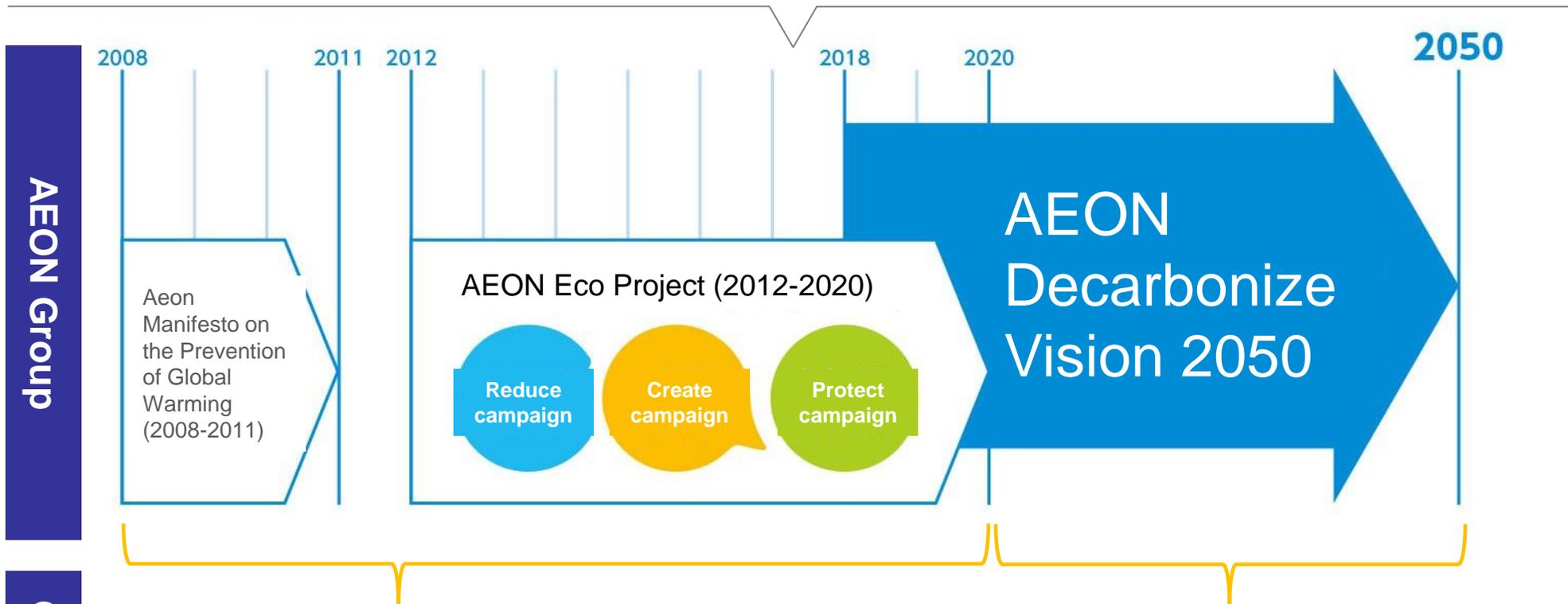
Collaboration began in April 2018. Building a labor-saving model for security services in FY2/19.

Continue to verify further labor saving in facility management operations

Strengthen nonresident management with using strengths of both companies (SECOM: Security, Aeon Delight: Facility Management) and expand services to small and medium-sized offices. Already started this project in the Kanto region.

Domestic: Initiatives to Reduce Safety and Environmental Impact

Contributing to the Achievement of the Aeon Group Vision as a company responsible for the “safety” and “environment” of facilities



Our Company

**Sales and installation of LED lighting,
Energy-saving operation of facilities**

- **Verification of Establishment of Energy Management Services including the administration and retail of renewable energy**
- **Verification of power storage utilizing renewable energy as part of BCP**

China: Accelerate business expansion through 1 Aeon Delight strategies

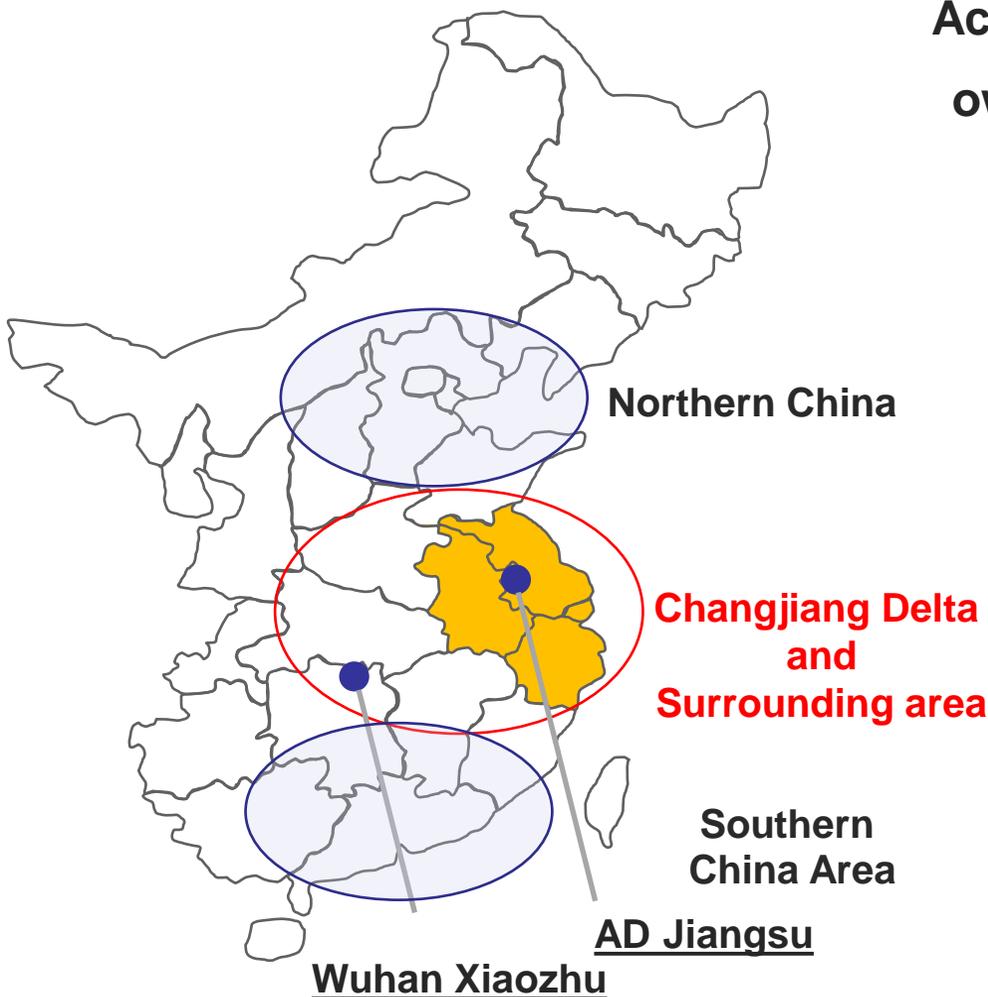
Expand contracts, mainly in the Yangtze River Delta region,
based on 1 Aeon Delight strategies

Acquired 2 core operating companies as wholly
owned subsidiaries in the previous fiscal year

- ① Aeon Delight brand Unifying Operations
- ② Enhancing Quality and Brand Power
- ③ In the Yangtze River delta and surrounding areas Expanding contracts for facilities targeted (*)

* Priority targets: Medium-to-high-end shopping centers, hospitals and nursing homes, Infrastructure and Development, etc.

**Expanding business to
northern and southern China**



Expand business in Indonesia, ASEAN's largest market



In the top class in the country's cleaning industry
in the previous fiscal year

PT Sinar Jernih Sarana

Was made into a consolidated subsidiary



**Through the early realization of
synergies with us Accelerating
Business Expansion in Indonesia**



Dividends have increased for 14 consecutive years since FY2/06.
15 Consecutive Years of Dividend Increase

For FY2/19, we increased the dividend by 2 yen from the previous fiscal year, to **63 yen**

For FY2/20, based on the assumption that the performance forecasts will be achieved,
Plan to pay dividends of **65 yen,**
up 2 yen from FY2/19 with consolidated dividend payout ratio of 30% (*),

* Net income attributable to owners of parent: 10.8 billion yen

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

AEON DELIGHT CO., LTD.
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Based on information available up to the date of publication (June 28, 2019)
These forecasts have been prepared and are subject to change due to various factors going forward.